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

Date Prepared/Updated: 03/06/2019 | Report No: ESRSC00303
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>SOUTH ASIA</td>
<td>P165982</td>
<td></td>
</tr>
</tbody>
</table>

**Project Name**: Pakistan Revenue Mobilization Project

**Practice Area (Lead)**

**Governance**: Investment Project Financing

**Estimated Appraisal Date**: 3/21/2019

**Estimated Board Date**: 7/30/2019

**Borrower(s)**: Economic Affairs Division

**Implementing Agency(ies)**: Federal Board of Revenue

**Proposed Development Objective(s)**

Contribute to a sustainable increase in domestic revenue by broadening the tax base and facilitating compliance

**Financing (in USD Million)**

| Amount | Total Project Cost | 1100.00 |

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 Project will support the Federal Board of Revenue in developing its Information Technology Systems to enable it to expand the tax base through the use of business intelligence tools and facilitate taxpayer compliance as well as customs procedures. Activities will comprise business process mapping, simplification, and automation; development of business intelligence tools (analysis of big data); Data Warehouse; and renewal of equipment, including for the Data Center, Business Continuity and Disaster Recovery Facility.

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 at nationwide in urban centers (FBR offices) and border control posts (customs): Islamabad Capital Territory, Provinces of Balochistan, Khyber Pakhtunkhwa, Punjab, Sindh. No new construction is involved throughout the project. The project will support the financing of the automation and computerization of the Tax process and offices at National and provincial levels. The below table summarizes the type and quantity of ITC equipment including PCs, laptops, scanners and printers, etc. that will be dispatched throughout 23 IRS (Inland Revenue Services) offices and 19 customs offices across urban centers of Pakistan including Islamabad Capital Territory (ICT) and all provinces. At this point, exact number of IT equipment to be replaced has not been estimated by the client but during initial discussions it has been suggested at least 30-40% may be replaced. However, the table provides maximum units that can be replaced if need be. It is suggested that the risk proportionately be based on maximum numbers. IT Equipment Hardware Total Quantity PCs 3340 Printers 2239 Scanners 641 Laptops 322 VC Equipment 19 Switches 189 Wireless Routers 42 Servers 16 Server Computer 8 Source: information provided by client/FBR. In terms of social risks, there is a 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.

D. 2. Borrower’s Institutional Capacity

Borrower institutional capacity for implementing environment and social safeguard is limited since Federal Board of Revenue (FBR), the main implementing agency, has limited exposure to donor-financed projects including World Bank and ADB. However, since this is a Moderate-risk intervention, therefore, it can serve as an opportunity to build the client capacity by giving them orientation and handholding on environmental and social standards applicable to the project. The Environment Protection Agency at federal level is responsible to regulate and enforce environmental rules, regulations and standards related to waste management including E-Waste.

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

A. Environmental and Social Risk Classification (ESRC)

Environmental Risk Rating

Most of the identified environmental are related to management and disposal of e-waste in a sustainable manner. This e-waste consists of the waste generated when ITC equipment will be replaced across IRS and custom offices of FBR in the selected regions and areas across the country. Therefore, by using the mitigation hierarchy to reduce and mitigate the risks and impacts of the e-waste, FBR will develop and adopt an E- Waste Management and Disposal 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. Other social issues of the project relate to exclusion of low IT literate taxpayers, and taxpayers with disability as a result of end-to-end automation. Besides these, the project does not involve any civil works, land acquisition and displacement, nor operations in protected areas or in areas inhabited by indigenous people. Consequently, the project environmental risk rating is proposed as Moderate.

Social Risk Rating

In terms of social risks, there is a 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.
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 agile PCN stage, the rationale, objectives and results of the program have been reviewed to identify the following potential environmental and social risks: 1) The generation of E-waste, non-existence of policy to manage and dispose of E-waste (for e.g. computers, printers etc.) 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. Keeping in view the above three risks it is proposed that the FBR will carry out an environmental and social assessment (ESA) to identify the perceived environmental and social impacts related to the replacement of IT equipment, installation of the electronic system for taxpayers and disposal of the obsolete IT equipment. The ESA will use the information provided by the client i.e. total numbers of PCs, laptops, scanners, and printers etc. given in the above table under section D1. It is anticipated that after the replacement of the old IT equipment the issue of safe disposal of redundant electronic waste will arise. Though, client envisaged that 30-40% of the old equipment will be replaced but exact numbers and type of IT equipment could not be assessed at present. Therefore, the assessment will estimate the number and type of e-waste that will be provided both the equipment to be replaced as well as the new equipment that will have to be replaced in the future when it becomes obsolete. Based on this exercise a mitigation plan of E-Waste Management Plan (EWMP) will be devised by following the related national and provincial environmental laws and procedures during the preparation stage. The EWMP will be developed on the Good International Industrial Practices (GIIP) which would be adopted by the FBR who will ensure its implementation through a certified E-waste disposal contractor. The FBR is responsible to undertake the independent third-party assessment of safe disposal of E-waste generated during the project life. The Assessment will also include a chapter on exclusion and conflict, 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 reliance on the Borrower’s E&S Framework may be considered:**

It is recommended that to manage the E&S risks of the project FBR follow World Bank guidelines as described in the ESF and the relevant ESS as identified under. There are applicable federal and provincial environmental rules, regulations, and procedures; such as Environmental Impact Assessment (EIA), Initial Environmental Examination (IEE), National and Provincial Environmental Quality Standards., but these are not as comprehensive, nor materially consistent with the ESF. The project will implement monitoring and capacity building measures for the client to ensure compliance with the applicable ESF standards. Accredited Environmental & Social Specialist (AESS) team will assess the capacity of the FBR to undertake this E&S impacts assessment process during the preparation stage and identify the gaps with possible solutions.
ESS10 Stakeholder Engagement and Information Disclosure

FBR 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 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) Federal Bureau of Revenue (FBR) ii) Pakistan Customs since 19 of their offices will benefit from the project iii) Chambers of Commerce and Industries for Small Businesses, iv) Traders Union, including traders involved in recycling of e-waste.vi) Citizens Rights Group and Civil Society Platforms, vii) Federal Environmental Protection Agency viii) Provincial Environmental Protection Agencies, they are responsible to clear the respective environmental management and mitigation plans at the preparation stage as per their rules and regulations. They are also responsible to monitor the EWM & D during implementation stage as per their mandate; viii) Ministry of Climate Change at the federal level; ix) Representatives of informal waste management/recycling sector; x) CSO representing disabled and vulnerable people. FBR and 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 Project life. 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 Project 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, including direct workers, indirectly employed such as contracted workers, workers hired by project suppliers and community workers if any. FBR will develop and implement written labor management procedures, 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 complains 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. Specifically, for implementation of the E-waste management and disposal plan of IT equipment, likely labor involved will be that of the project proponent and implementing agencies, consultants, primary supply workers for procuring the IT equipment and contracted workers for collection, transportation and recycling activities. The type and category of these workers will depend on the contractual arrangements, and hence determined at a later stage. However, this will be defined and stated in the labor management procedures document. The environmental and social assessment will identify the potential risks of labor management and determine the ways in which national laws and the requirements of ESS2 are applied to the project as well as the measures related to Occupational Health and Safety (OHS) to the project workers. The propose OHS measures applying to the project will be set out in legal agreement and ESCP.
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 IRS offices across country including the Pakistan Customs field offices prioritized by FBR. This activity of replacement of IT equipment cannot be avoided by the project as it will enhance and improves the efficiency of tax collection and improve the service delivery of the Federal Board of Revenue (FBR). The client will undertake the environmental and social assessment which will determine the potential risks associated with the e-waste which is likely to be generated by the replacement of IT equipment and proposes appropriate measures in accordance to the mitigation hierarchy i.e. to minimize, reduce and mitigate the risks associated with the e-waste. The environmentally sound and safe management of e-waste management and disposal plan will be developed by the client taking in account of national laws, regulations and Good International Industrial Practices (GIIP) and in consistent with the EHSGs to dispose and destroy the E-waste from IT equipment replacement. The client will adopt the EWMDP at the project implementation stage and throughout the project life cycle. In case of the lack of capacity the project implementation agency can recruit reputable and legitimate licensed contractor(s) in environmentally sound and safer practices as per national and provincial environmental laws and regulations to implement the EWMDP.

ESS4 Community Health and Safety

Environmental and social assessment of the project under ESS1 will evaluate and establish the potential risks and impacts on communities, which may get affected due to implementation of E-waste management and disposal plan, and hence will propose mitigation measures relevant to ESS4 and EHSGs.

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. 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 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

No further potential risks of environmental and social impacts are identified at the PCN stage.

C. Legal Operational Policies that Apply

<table>
<thead>
<tr>
<th>Policy</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>OP 7.50 Projects on International Waterways</td>
<td></td>
</tr>
<tr>
<td>OP 7.60 Projects in Disputed Areas</td>
<td></td>
</tr>
</tbody>
</table>

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?  No

Financing Partners

The project activities will only be financed by the World Bank therefore, the common approach does not imply.

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

Actions to be completed prior to Bank Board Approval:

1- Completion of Environment and Social Assessment by the client
2- Completion of Social and Conflict Analysis by the client
3- Development of a Stakeholder Engagement Plan
4- Development of E-Waste Management Plan by FBR and endorsed and approved by the World Bank prior to the Board approval.

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

Following issues needs to be address in ESCP.

1- FBR will nominate focal points for implementing the ESCP
2- FBR will develop the Terms of Reference of the ESA study, Social and Conflict Analysis, and Stakeholder Engagement Plan – reviewed by the Bank Specialists of the project.
3- FBR will hire consultants, if required, during the preparation stage of the project to conduct the above-mentioned studies
4- All the above studies and plans will be completed prior to Bank Board approval.
5- The FBR will develop the E-Waste Management Plan of the project prior Bank Board Approval.
C. Timing
Tentative target date for preparing the Appraisal Stage ESRS 08-Mar-2019

IV. CONTACT POINTS

<table>
<thead>
<tr>
<th>World Bank</th>
<th>Contact: Michael G. Nelson</th>
<th>Title: Operations Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Telephone No: 473-5064</td>
<td>Email: <a href="mailto:mnelson3@worldbank.org">mnelson3@worldbank.org</a></td>
</tr>
<tr>
<td></td>
<td>Contact: Dominique Isabelle Kayser</td>
<td>Title: Senior Operations Officer</td>
</tr>
<tr>
<td></td>
<td>Telephone No: 202-473-0351</td>
<td>Email: <a href="mailto:dkayser@worldbank.org">dkayser@worldbank.org</a></td>
</tr>
<tr>
<td></td>
<td>Contact: Babar Naseem Khan</td>
<td>Title: Social Development Specialist</td>
</tr>
<tr>
<td></td>
<td>Telephone No: 5722+234</td>
<td>Email: <a href="mailto:bkhan4@worldbank.org">bkhan4@worldbank.org</a></td>
</tr>
<tr>
<td></td>
<td>Contact: Rahat Jabeen</td>
<td>Title: Environmental Specialist</td>
</tr>
<tr>
<td></td>
<td>Telephone No: 5722+188 / 9</td>
<td>Email: <a href="mailto:rjabeen@worldbank.org">rjabeen@worldbank.org</a></td>
</tr>
</tbody>
</table>

Borrower/Client/Recipient
Borrower: Economic Affairs Division

Implementing Agency(ies)
Implementing Agency: Federal Board of Revenue

V. FOR MORE INFORMATION CONTACT
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

VI. APPROVAL
Task Team Leader(s): Clelia Kalliopi Helena Rontoyanni, Muhammad Waheed