Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 12-Feb-2020 | Report No: PIDA27433
### BASIC INFORMATION

#### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
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<tbody>
<tr>
<td>Pakistan</td>
<td>P170271</td>
<td>Pakistan Goes Global: An Initiative for a Global &amp; Technology-Driven Pakistan</td>
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<tr>
<th>Region</th>
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<th>Estimated Board Date</th>
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<tr>
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<td>14-Feb-2020</td>
<td>02-Apr-2020</td>
<td>Macroeconomics, Trade and Investment</td>
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<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
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<tbody>
<tr>
<td>Investment Project Financing</td>
<td>Islamic Republic of Pakistan</td>
<td>Ministry of Commerce</td>
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**Proposed Development Objective(s)**

To improve the enabling environment for exports and increase firms' export capabilities

**Components**

Investing in the enabling environment for exports  
Investing in firms' export capabilities

### PROJECT FINANCING DATA (US$, Millions)

#### SUMMARY

<p>| | |</p>
<table>
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<td><strong>Total Project Cost</strong></td>
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<tr>
<td><strong>Total Financing</strong></td>
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<tr>
<td><strong>of which IBRD/IDA</strong></td>
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<td><strong>Financing Gap</strong></td>
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#### DETAILS

**World Bank Group Financing**

| International Bank for Reconstruction and Development (IBRD) | 200.00 |

**Environmental and Social Risk Classification**
B. Introduction and Context

Country Context

1. **Pakistan, the sixth most populous country in the world is at a crossroads.** The economy accelerated with gross domestic product (GDP) growth of 5.3 percent in FY18 and slowed down to 3.5 percent in FY19 as fiscal and external imbalances persisted.\(^1\) Poverty declined from 64.3 percent in 2001 to 24.3 percent in 2015\(^2\), but inequality persists. The country ranks low on the 2018 Human Capital Index (HCI)\(^3\), at 134 out of 157 countries. Gender disparities continue, and female labor force participation was only 26.5 percent in 2018. After the onset of another boom and bust cycle, a US$6 billion International Monetary Fund (IMF) program commenced in July 2019. Growth is expected to pick up as structural reforms take effect and macroeconomic imbalances are addressed. Over the medium to long term, Pakistan needs to invest more, and better in human capital, raise more revenue, simplify doing business procedures, expand regional trade and exports, and manage its natural endowments sustainably, as articulated in Pakistan@100: Shaping the Future.\(^3\)

2. **Pakistan faces an external imbalance challenge, largely associated with its low export competitiveness.** Pakistan’s current account deficit (CAD) stood to US$13.5 billion (4.9 percent of GDP) in FY2018/19 (compared to US$19.9 billion or 6.3 percent of GDP in FY2017/18). This tapering of the CAD continues in FY20. For Jul-Nov FY20, the CAD amounted to US$1.8 billion (0.7 percent of GDP) compared to US$6.7 billion (2.4 percent of GDP) in the same period last year. Exports grew by 4.4 percent (Y-o-Y) during this period, due to the real exchange rate depreciation especially for sectors with low imported input contents such as rice, vegetables, and knitwear. On the other hand, imports during Jul-Nov contracted by 21.1 percent (Y-o-Y), as a result of shrinking domestic demand due to the stabilization measures taken in FY19, and the exchange rate depreciation. Imports contracted across sectors, although at a slower pace for machinery. Foreign direct investment increased from US$0.5 billion in Jul-Nov FY19 to US$0.8 billion in the same period this year, due to the one-time inflows from renewal of cellular companies’ licenses, with little greenfield investments.\(^4\)

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\(^4\) A thorough discussion on Pakistan’s current macroeconomic context can be found in World Bank’s “Pakistan Development Update – Fall FY20.”
3. **Pakistan’s economic activity is projected to decelerate to 2.4 percent in FY2019/20 as fiscal consolidation continues before recovering slowly to 3.0 percent in FY2020/21.** The adjustment program entails a rebalancing from domestic to external demand and growth is expected to recover slowly as macroeconomic conditions improve, and external demand picks up on the back of structural reforms in fiscal management and increased price competitiveness. This recovery is conditional on relatively stable global markets, relatively benign international oil prices, and reduced political and security risks. Inflation is expected to rise in FY2019/20 to 11.8 percent, and afterwards start declining gradually.

4. **Pakistan’s macroeconomic challenges are structural in nature.** These are related to the structural fiscal deficit, energy sector inefficiencies, low public and private investment rates, inadequate exposure to competition, and lack of trade integration into the global marketplace. These structural issues have not only impacted the macroeconomic environment but also impacted Pakistan’s long-term competitiveness.

**Sectoral and Institutional Context**

5. **The PKR depreciation observed during the last year has not yet resulted in an export take-off.** The real depreciation of the PKR is expected to boost export competitiveness, as it reduces the production costs of domestic relative to foreign producers. Yet, preliminary data for the July/November of 2019/20 reveal that total exports mildly increased by 4.4 percent with respect to the same period in 2018/19, with services exports growing by 2.9 percent, and goods exports increasing by 4.7 percent. The weak export responsiveness to the real PKR depreciation is associated with time lags required to secure new export contracts, the high import content in exports, pricing-to-market (global buyers may take some of the gains from the real depreciation), and credit restrictions that exporters may face, in addition to structural exports competitiveness challenges such as an inadequate set of public goods to enable exporting and weak supply response capacity of firms driven by low levels of productivity.

6. **Pakistan has been losing export competitiveness in world markets for more than a decade.** While China’s share in world trade doubled and Vietnam’s more than tripled since 2005, Pakistan’s share dropped from 0.15 percent in 2005 to 0.12 percent in 2018. During 2014-17, Pakistan increased its export share of goods in only 11 of its 20 largest export destinations. At the product level, of the 16 categories exported by Pakistan, the country had a revealed comparative advantage in only four: live animals, minerals, hides and skin, and textile cloth. All four categories are classified as low-tech manufactures or natural resource-based with low value added or knowledge content.

7. **Exporters in Pakistan struggle to sustain export flows and to grow.** The persistence of trading relationships is a sign of economic dynamism. This is a challenge in Pakistan. During 2010-15, exporters

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5 Low productivity growth remains one of the key challenges of long-term growth in Pakistan, with increases in output per capita showing a secular declining trend, as revealed in the World Bank report “Pakistan at 100”.

6 The revealed comparative advantage indicator is used to calculate the relative advantage or disadvantage of a certain country in a certain class of goods or services as evidence by trade flows.
succeeded in maintaining only 35 percent of export relationships.7 This contrasts with the experience of India or Vietnam that maintained 45.7 and 50.3 percent of their new export relationships, and points to the riskiness of the export business in the country. Furthermore, exporters in Pakistan remain small when compared to exporters in other countries at a similar level of development, pointing to supply constraints as well as regulatory burdens that hamper firms’ growth. Indeed, about half of the 14,537 exporters active in FY17, exported less than 100,000 USD per year, with three-quarters of exports accounted for the top 5 percent of exporters.

8. **The observed lack of global integration underlies the challenges that Pakistan faces to achieve growth in the short and long-term.** Lagging competitiveness translated in low contributions of exports and investment to GDP growth. During 2018, investment and exports combined contributed to about 20 percent of growth in aggregate demand, while it was consumption – both private and public, that contributed the largest share of 80 percent. Investment as a share of GDP is at 15 percent (a third of which is public), half of the regional average.8 Lagging export competitiveness also translated into a large CAD, while low FDI inflows (below 1.5 percent of GDP on average during 2005-2018) translated into additional challenges to secure stable sources of financing for it. In the long term, lagging competitiveness and integration reduces the scope for productivity growth, through less exposure to competition and to new ideas. Turning this around is crucial for Pakistan to overcome the barriers to structural transformation and return to the successful development path that characterized its first 30 years of existence as an independent nation.9

9. **Evidence points to two drivers of lagging competitiveness in exports.** First, a weak enabling environment for exports. This is on the one hand associated with weak public institutions and fragmented export support initiatives. There is a need for improved coordination between federal and provincial governments, reducing efficiency and effectiveness of interventions to support trade. Agencies mandated to conduct trade policy and promotion often lack the resources (human, and material) to perform their roles as per rules of business. In addition, lack of automation in government to business (G-2-B) interactions reduce transparency and accountability. Export promotion environment is weak with little support for firms’ internationalization, lack of automation, and a lack of a strong country brand to support private efforts in going global. Second, firms display, on average, low capabilities, and lack effective support to upgrade them and be better placed to enter into export markets and gain from them. Rather than focusing on upgrading firms’ capabilities, existing support systems focus on subsidy schemes that do not have performance conditionalities or sunset clauses. These two drivers are discussed in detail below.

**Inadequate Enabling Environment for Exporting**

(i) **Weak institutions and fragmentation**

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7 Survival is calculated by measuring the persistence of the combination of a given export product to a destination being active in international markets. Empirical analysis points to productivity, and export promotion as crucial drivers of export survival in Pakistan.

8 The investment-to-GDP ratio in Bangladesh is 31 percent, India 31 percent, Sri Lanka 37 percent, and Nepal 47 percent.

9 For a detailed discussion on structural transformation in Pakistan, see “Pakistan at 100”.
10. **The strength of institutions, and institutional coordination within the public sector matter for competitiveness.** At present, trade, investment and SME policy and promotion functions remain largely fragmented and uncoordinated, and often performed in isolation from each other. The Ministry of Commerce (MoC), Ministry of Industries and Production (MoIP) and Board of Investment (BOI) could benefit from a unified strategic roadmap for driving Pakistan’s global standing as a competitive trading hub. Increased collaboration and coordination with provincial governments in these domains will also prove beneficial. The fact of having inadequately equipped agencies creates a wedge between the *de jure* mandate of the institutions and their *de facto* operations. Often, institutions do not have the tools – both in terms of human resources and equipment to deliver on their mandate as per Rules of Business. For example, an internal evaluation carried out by MoC revealed that 80 percent of officer positions within the institution are technical in nature, but these positions are not always filled by technical staff.

11. **Coordination and collaboration among relevant federal and provincial authorities as well as private sector representatives to strengthen export competitiveness requires stable and sustainable institutions.** An overarching approach towards trade competitiveness can benefit Pakistan as it increases the effectiveness of support schemes. A coordinating institution, supported by provincial working groups similar to the model developed for implementing Doing Business (DB) reforms and with a strong public-private dialogue platform can become a vital institutional driver of Pakistan’s export competitiveness.

12. **Lack of automation in government to business interactions is both cause and consequence of institutional weaknesses.** Firms deal with several regulatory agencies for obtaining business registrations and licenses across all three tiers of government: federal, provincial, local. Compliance with these regulations is paper based, requiring payment of fees against challans issued by relevant authorities, filing receipts, follow-up visits and waiting for approvals. The lack of a central database and data-sharing means that registration and licensing procedures need to be repeated with each regulatory agency in the chain. These processes erode investors’ confidence and increase investment costs, disincentivizing in particular export-oriented undertakings that rely on just-in-time processes.

13. **Pakistan’s inward oriented rules and regulations – with average import duties substantially higher than average in South Asia - have had the effect of stalling integration into regional and global value chains (GVCs).** To facilitate integration into GVCs, countries have made efforts to reduce trade costs. Pakistan has not. Rather, trade policies have reverted to protectionism. In recent years, to reduce the trade deficit, import duties (including import tariffs and other taxes on imports: regulatory and additional customs duties (RD, ACD) have been increased, sheltering incumbent firms from international competition, and encouraging them to sell domestically. On intermediate inputs, import duties can be up to four times higher than in East Asia. Effectively, tariffs and other duties on imports have acted as tax on exports.

(ii) **Inadequate export promotion infrastructure**
14. **The existing infrastructure to promote Pakistan’s country brand and Pakistan’s exports is not delivering on its objectives.** Pakistan exporters face a negative bias of country of origin, which increases their costs of entering export markets. Many countries in the region have invested substantially in creating a country brand to increase the perception of quality of its goods and services and reduce that bias of country of origin. The network of trade attaches in 56 countries could be further leveraged to increase exporting, or to diversify into new markets if the right set of incentives are provided, and key performance indicators are set.

15. **Export intelligence provision to firms is incipient and requires increased efforts for improvement.** Private sector consultations across the country revealed that exporters lack support in terms of provision of export intelligence - key to reduce information frictions that new and small exporters face. Support to participation in trade shows and exhibitions has shrunk in real terms. In addition, a recent assessment of the main export promotion agency in Pakistan TDAP, conducted by the International Trade Center (ITC).[^10] Indeed, most of TDAP's budget is spent on staff remunerations rather than on support to exporters.[^11]

_Lack of effective support to build firms’ capabilities to internationalize_

16. **Low firms’ capabilities among Pakistani firms have reduced the scope for productivity growth and of tapping into gains from integration.** Systematic management practices, critical know how and technical skills, among other areas, are major determinants in explaining differences in firms’ growth patterns as well as firms’ productivity. Pakistani firms on average, however, lack the managerial capacities and technical skills to take advantage of trade opportunities.[^12]

17. **Firms in Pakistan lack an adequate support system to improve their business, managerial and technical skills.** While several different government institutions and bodies at different levels of the government have been tasked with supporting firms in Pakistan, this support has been limited in scope and fragmented, much like the overall competitiveness agenda. Provincial small industries corporations such as Punjab Small Industries Corporation (PSIC) and Sindh Small Industries Corporation (SSIC) etc., which focus on the development of industries through clusters, are operating mostly independently from federal institutions such as TDAP and the Small and Medium Enterprise Development Agency (SMEDA), which could benefit from increased coordination. Agencies meant to support firms are also under resourced. With an annual budget of approximately US$2million per year (253 million Pakistani rupees) and 127 staff in its headquarters and regional centres, SMEDA aims to be the information and support hub for firms, especially SMEs in Pakistan. It is not however able to respond to the private sector demand and to be recognised as a relevant partner given the vast needs of the private sector when juxtaposed with SMEDA’s meagre resources.

[^10]: ITC assesses the performance of TDAP at ‘below average’ in its latest benchmarking exercise of 2017, pointing to several challenges, including lack of support to value chain development, lack of client datasets, and client management systems, as well as lack of monitoring and evaluation frameworks for its interventions.


[^12]: Recent fieldwork conducted in Punjab and Islamabad revealed low adoption of structured management practices – typically associated with high productivity. Impact evaluations on women entrepreneurship programs in Sindh also pointed to the importance of raising managerial quality to stimulate firms’ growth. Indeed, lack of quality in processes and products is coupled by the perception challenges that global buyers face.
18. **There are some positive developments in the way support to firms is designed, but deficiencies remain.** An assessment conducted on the Business Development Service Providers (BDSP) market in Pakistan\(^\text{13}\) highlighted a shift during the last 10 years in business development service delivery from a supply-driven approach led by SMEDA to a demand-driven approach spearheaded by private consultancy services. The analysis pointed to an insufficient supply and limited expertise of BDSPs to meet the needs of firms, despite SMEDA maintaining a database of 407 registered BDSPs. The assessment also identified that BDSP market in Pakistan is concentrated in a few specialized areas and that specialized business and export development services are limited. The majority of the BDSPs provide services in the areas of general management, marketing services, accreditation and certification standards, financial management and export marketing. A reinforcement of SMEDA’s capacity to deliver to its mandate and an increased collaboration with TDAP could influence positively firms’ support system and encourage greater internationalization.

**C. Proposed Development Objective(s)**

Development Objective(s)

To improve the enabling environment for exports and increase firms’ export capabilities

19. Specifically, to improve the enabling environment for exports, the project will focus on investments around three aspects: export promotion infrastructure, automation of government to business interactions to reduce costs and increase transparency, and implementation support to reduce the country’s anti-export bias. To improve firms’ export capabilities, the project will focus on investments around an export readiness program. The achievement of the PDO will be measured with the following indicators:

**Key Results**

**PDO indicators, baselines and targets**

<table>
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<th>#</th>
<th>PDO indicator</th>
<th>Baseline in FY19/20</th>
<th>Target FY24/25</th>
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<td>A.</td>
<td>Improve the enabling environment for exports</td>
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<tr>
<td>1</td>
<td>Unweighted average of the sum of regulatory and additional customs duties (RDs and ACDs)</td>
<td>8.71%</td>
<td>5.67%</td>
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<tr>
<td>2</td>
<td>Number of firms using Pakistan Online Portal for licensing and registration</td>
<td>0</td>
<td>150,000</td>
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<tr>
<td>3</td>
<td>Share of exporters subscribed to the export intelligence platform</td>
<td>0</td>
<td>25%</td>
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<tr>
<td>B.</td>
<td>Increase firms’ export capabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Share of new exporters among non-exporting targeted firms</td>
<td>0</td>
<td>50%</td>
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<tr>
<td>5</td>
<td>Percentage of beneficiary firms which report an increase in exports stemming from project support</td>
<td>0</td>
<td>60%</td>
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\(^{13}\) For a detailed Assessment, see “Draft BDSPs Market Assessment Report, by Sohail Y. Moghal, August 2019
D. Project Description

20. The proposed project is an Investment Project Financing of USD 200 million, which includes a financing of USD 44.5 million based on achievement of disbursement linked indicators (DLIs). The project will support investments in the enabling environment for exporting – including investments in institutional capacity building, and in Pakistan’s export promotion infrastructure, and investments in firms’ export capabilities. The project activities are organized under two components, which contribute in synergy to the PDO.14

21. The two components of the project finance direct expenditures procured under specific activities. Component 1 will also finance expenditure programs associated with DLIs aimed at achieving results crucial to the achievement of the PDO.

Component 1: Investing in the Enabling Environment for Exporting

22. This component invests in upgrading capacity in public export-related institutions and upgrading export promotion infrastructure. The investments are expected to enable institutions to deliver on their mandate in an efficient and effective manner, through enhanced coordination and integration both at the federal and provincial level, as well as through increased transparency and accountability. Specifically, this component is structured around two sub-components.

Sub-Component 1.1: Investing in Institutional Strengthening for Export Competitiveness

23. This subcomponent invests in institutional strengthening for export competitiveness, including: (i) establishment [and operations] of PGG Board to improve federal and provincial policy coordination and build a feedback loop with the private sector; (ii) establishment of a monitoring and evaluation platform for trade public support interventions and monitoring and evaluation and impact evaluations of export-support public interventions; (iii) re-designing and integration of information technology systems and business processes of MOC, and MOIP; (iv) establishment of a one-stop shop for business licensing and registration in Pakistan, roll-out of an e-payment system for registration and licensing fees, and [design and implementation of] monitoring and communication strategy to ease the implementation of regulatory reform among the business community; and (v) establishment [and operations] of TPW in MOC and strengthening of NTC.

Sub-component 1.2: Investing in export promotion infrastructure.

24. This sub-component invests in the provision of support for the export promotion infrastructure, including: (i) carrying out of a country branding campaign, including the provision of Trade Fair Grants to firms for participation in trade fairs/exhibitions; (ii) re-vamping of the role of the trade attaches’ network in export promotion to modernize Pakistan’s trade diplomacy; and (iii) design and roll-out of

14 The proposed investments follow the ABC framework as presented in the ‘Productivity Project’ of the World Bank’s EFI Chief Economist Office, combining efforts to improve allocation of resources, business to business interactions, and firms’ capabilities.
an export intelligence platform, as a one-stop shop for exporters, to connect global buyers with local sellers.

**Component 2: Investing in firms’ export capabilities**

25. This component will invest in an Export Readiness Program (ERP), in addition to the institutional strengthening of SMEDA. The objective of the component is to ensure that both existing and potential exporters are equipped with the skills and information, and have the financial incentives, to benefit from the activities on institutional strengthening and export promotion supported through the first component. This component and its associated activities will be implemented by SMEDA.

*Subcomponent 2.1 Export Readiness Program*

26. This sub-component invests in the design and implementation of the Export Readiness Program to boost the capabilities of exporters and potential exporters, including: (i) export readiness assessment; (ii) capacity building and training for participating firms; and (iii) provision of matching and performance Grants.

*Subcomponent 2.2 Institutional strengthening of SMEDA*

27. This sub-component invests in strengthening of the capacity of SMEDA, including: (i) the establishment and operations of its business development centers in major cities; (ii) human resources and functional review of SMEDA; (iii) technical assistance and training to implement the key recommendations of the functional review; (iv) establishment and operations of a customer relationship management system in the business development centers; (v) commissioning of analytical work on key clusters around Pakistan; (vi) enabling of SMEDA to perform its supervisory role in the Export Readiness Program; (vi) carrying out of a needs assessment to identify barriers preventing access to new export markets and compliance with global buyers’ requirements for women led businesses; and (vii) development and implementation of an awareness campaign focused on women exporters, based on the review of the needs assessment.

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<thead>
<tr>
<th>Legal Operational Policies</th>
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<td>Projects on International Waterways OP 7.50</td>
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<td>Projects in Disputed Areas OP 7.60</td>
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Summary of Assessment of Environmental and Social Risks and Impacts

28. Due diligences on environmental and social risk assessments for this project have been carried out under the Environment and Social Framework (ESF) of the World Bank. The overall E&S risk
of the project has been assessed as **Moderate**. This rating was assigned following an Environmental and Social Screening undertaken and documented in an E&S Screening Report prepared in accordance with ESS1. This screening confirmed that the project will not undertake any civil works, that it will have no environmental impacts except for e-waste disposal which is low, and it will not impact indigenous people. Four Environmental and Social Standards (ESS) are applicable to the project. These are ESS1 Assessment and Management of Environmental and Social Risks and Impacts, ESS2 Labor and Working Conditions, ESS3 Resource Efficiency and Pollution Prevention and Management and ESS10 Stakeholder Engagement and Information Disclosure. As noted earlier, specialists based in the SSU will submit semi-annual environmental and social monitoring reports to the Bank, and a third-party Monitoring Agency will be hired to monitor all results achieved by the project, including those noted on the ESPC.

29. 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. MOC, SMEDA, and 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. The environmental risk of E-waste generation associated with the replacement of IT equipment in three organizations i.e MOC, SMEDA and TDAP is negligible and does not have any adverse impacts at large. The possibility of E-waste generation is likely very **Low**. There are no E-Waste Management policy and regulations in place at the national or provincial levels. The project will also provide advisory support to local firms to improve their working conditions and manufacturing by undertaking a technical gap analysis for business competitiveness. Environment and social indicators will be included in the gap analysis to offer recommendations to exporters and potential exporters to be able to meet GIIP.

30. **The project will adopt the mitigation hierarchy to minimize, reduce and mitigate the potential risk associated with the E-Waste.** Environmental and Social Assessment (ESA) of the project under ESS1 will evaluate and establish the potential risks and impacts of E-waste management and disposal plan on local communities and environment; it will propose mitigation measures relevant to ESS4 and EHSGs. The MOC, 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 Environmental Health and Safety Guidelines to dispose and destroy the E-waste from IT equipment replacement. The MOC 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 licensed contractor(s) in environmentally sound and safe practices as per national and provincial environmental laws and regulations to implement the EWMP.

31. **The project will not impact indigenous peoples and except for minor office refurbishment, no civil works are planned under the project.** As required under the ESS 1, 2, and 10 an Environmental and Social Screening Report, Labor Management Procedures, and a Stakeholder Engagement Plan (SEP) respectively have been prepared by the Borrower.
32. Labor Management Procedures (LMP), as required under ESS2, aim to assist the Government in preparing a plan to manage job reassignment, deployment or redundancies (if any) after merging of ministries, and outline relationships with PIU, contractors, and other primary care workers. The LMP has provided a Grievance Redress Mechanism so that all direct and contracted workers can raise workplace concerns.

33. To meet ESS 10 Stakeholder Engagement and Information Disclosure requirements, a Stakeholder Engagement Plan (SEP) has been prepared. It documents the capacity of the Ministry of Commerce in engaging with stakeholders through its previous outreach and information disclosure efforts. The SEP is informed by at least two consultations with relevant stakeholders such as the concerned departments, the business community, and citizens groups. It proposes an engagement plan whereby the Project will maintain continuous contact with relevant stakeholders and ensure a system of on-going disclosure through the life of the Project. The SEP also proposes a Grievance Redress Mechanism through which the Borrower will respond to concerns and grievances of project-affected parties related to the environmental and social performance of the project in a timely manner.

34. Final drafts of all E&S documents will be disclosed prior to Project appraisal, including the Environment and Social Commitment Plan (ESCP) which has been prepared and will be implemented by the Borrower. The ESCP sets out measures, actions and budget required for the project to achieve compliance with the relevant ESSs over a specified timeframe and assign responsibilities. The ESCP will be agreed with the Bank and will form part of the legal agreement.

E. Implementation

Institutional and Implementation Arrangements

35. **MOC, through the Directorate General of Trade Policy will be the main implementing agency for the project** and will liaise and coordinate with the two other implementation agencies i.e. BOI and SMEDA in implementing the project. MOC and BOI will be responsible for the implementation of component 1 within their respective domains, while SMEDA will be responsible for Component 2. The implementation agencies will have full fiduciary authority and autonomy to implement the project activities. Each respective implementation agency will appoint a project director and will hire a procurement specialist and a financial management specialist in charge of the agency’s activities.

36. **The project will establish a Shared Services Unit (SSU).** This SSU will be comprised of Social Safeguard Specialists, Environmental Specialists, Communication Specialists and M&E specialists to ensure safeguards, communication and M&E compliance within the entire project. These positions may be filled by technical experts hired from the market or by technical staff deputed by the government. The SSU will be housed in the main implementing agency. The main implementing agency will be responsible for compiling all semi-annual and annual reports and will share them with the Bank (financial reports, audits reports, procurement, safeguards and
monitoring reports etc.). The Operations Manual will describe the lines of reporting between this SSU and the other implementing agencies.

37. A Project Task Force (PTF) led by the Advisor of Commerce, Textiles, Industries and Production will be formed and officially notified by the government for this project. It will have representation from all the government entities involved in the project to ensure effective and coordinated implementation. Terms of reference for the PTF will be drafted with clear established roles. The PTF will be responsible for overall project oversight and monitoring implementation progress. The PTF will also facilitate inter agency coordination to ensure that the agencies engaged in the project work in unison towards achieving the project development objective, facilitate resolution of interagency disputes, if any, facilitate the PMUs in securing relevant approvals, and provide overall strategic guidance to the project. The PTF will also serve as the primary platform by way of which the PGG Board will be kept abreast of project level interventions, developments and impact. This would ensure that the project investments complement and are synergistic with the broader competitiveness reforms being steered by the PGG Board.

38. The institutional arrangements for project implementation and oversight is presented in Error! Reference source not found., details on funds flow and procurement arrangements are presented in the Annex.

**Institutional arrangements for project implementation and oversight**
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| Task Team Leader(s): | Gonzalo J. Varela  
Adja Mansora Dahourou Simpore  
Nadia Patrizia Rocha Gaffurri |
|----------------------|---------------------------------|

### Approved By

<table>
<thead>
<tr>
<th>Environmental and Social Standards Advisor:</th>
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<tbody>
<tr>
<td>Practice Manager/Manager:</td>
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<tr>
<td>Country Director:</td>
<td>Puteri Natalie Watson</td>
</tr>
</tbody>
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