## 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>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>P159577</td>
<td>Khyber Pass Economic Corridor Project</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated Appraisal Date</th>
<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTH ASIA</td>
<td>23-Apr-2018</td>
<td>14-Jun-2018</td>
<td>Transport &amp; Digital Development</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Project Financing</td>
<td>Economic Affairs Division, FATA Secretariat, FATA Development Authority</td>
<td>National Highways Authority (NHA)</td>
</tr>
</tbody>
</table>

### Proposed Development Objective(s)

The PDO is to expand economic activity between Pakistan and Afghanistan by improving regional connectivity and promoting private sector development along the Khyber Pass corridor.

### Components

I. Expressway Development
II. Development of the Khyber Pass Economic Corridor
III. Project Management

## PROJECT FINANCING DATA (US$, Millions)

### SUMMARY

<table>
<thead>
<tr>
<th>Total Project Cost</th>
<th>482.75</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Financing</td>
<td>482.75</td>
</tr>
<tr>
<td>of which IBRD/IDA</td>
<td>460.60</td>
</tr>
<tr>
<td>Financing Gap</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### DETAILS

**World Bank Group Financing**

| International Development Association (IDA) | 460.60 |
B. Introduction and Context

Country Context

1. **The global integration of Central and South Asia is intertwined with the Khyber Pass.** Increasing the level of trade and investment between Pakistan, Afghanistan, and the Central Asian Republics (CARs)\(^1\) – and increasing the integration of all countries into global value chains – is a key policy goal of countries in both regions, including the Government of Pakistan (GoP).\(^2\) The roadway between Peshawar and Kabul through the Khyber Pass – which represents a section of Corridors 5 and 6 of the Central Asia Regional Economic Cooperation (CAREC)\(^3\) – has served as the key node in trade between Afghanistan, Central Asia, and South Asia for hundreds of years. Today, the roadway represents the key trade route not just between Afghanistan, Central Asia, and Pakistan, but also between Afghanistan, Central Asia, and the rest of the world. Corridor 5 has the potential to provide the shortest link between the landlocked countries of Afghanistan, Tajikistan and Uzbekistan, and the Arabian sea; while Corridor 6 provides access to Europe, the Middle East and Russia. The improved

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\(^1\) The Central Asian Republics (CARs) consist of: Kazakhstan; Kyrgyz Republic; Tajikistan; Turkmenistan; and Uzbekistan.
\(^2\) The commitment of Pakistan to increasing regional trade is outlined in Pillar-VII of GOP Vision 2025.
\(^3\) The CAREC Program is a partnership of 11 countries (Afghanistan, Azerbaijan, China, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan) and is supported by six multilateral institutions.
transport connectivity among CAREC countries is one of the main drivers of regional economic cooperation.

2. Over recent decades, constraints on trade through the Khyber Pass have hindered the development of Afghanistan, Pakistan, and Central Asia and undermined the stability of northwestern Pakistan. Over the past century, border disputes, diplomatic tensions, successive waves of conflict, and dilapidated infrastructure have stifled the development of cross-border value chains spanning the historical trade route between Kabul and Peshawar. Despite strong demand for Pakistani products such as surgical instruments, textiles, fruits, rice, sugar and cement and a market of nearly 70 million people, trade between Pakistan and the CARs is minimal, with Pakistan’s exports in 2016 comprising less than one percent of total imports by the CARs. While trade between Afghanistan and Pakistan nearly doubled in the decade up to 2015, flows have dropped by about 30 percent over the past 2 years. The lack of productive cross-border trade has severely affected the economy of northwestern Pakistan.

3. Economic development is especially constrained in the Federally-Administered Tribal Areas (FATA). Rates of economic growth, unemployment, and poverty in northwestern Pakistan have fallen well behind the rest of Pakistan, fomenting a cycle of insecurity and conflict. FATA, where the investment climate is also adversely affected by divisions in administrative authority between local tribes and the federal government, is particularly disadvantaged relative to neighboring Khyber-Pakhtunkhwa (KP). According to Pakistan’s 2016 Multidimensional Poverty Index (MPI), 73 percent of the people in FATA live in multidimensional poverty compared to 43 percent in KP and a national average of 39 percent. Revitalizing the historical trade route through the Khyber Pass is thereby important not just for the economic development of countries across Central and South Asia, but also to the stability of an area vital to global security.

4. Appropriate reforms and public investments can enable northwestern Pakistan to serve not just as a conduit for international trade, but to anchor regional and global value chains. Northwestern Pakistan has historically served as a node for trade between Central and South Asia and the area possesses the natural resources to support broad-based, export-oriented manufacturing, including abundant mineral deposits. Topographical variance provides substantial potential in both tourism and hydro-electric power. Northwestern Pakistan also has a rich heritage in manufacturing and hosts a multitude of industrial clusters, including furniture and woodworking, marble and granite finishing, horticulture, and the health and pharmaceutical products. The ‘youth bulge’ amidst the population creates the potential for a demographic dividend, while high urbanization levels offers the benefits of agglomeration economies. Finally, northwestern Pakistan's large stocks of overseas migrant workers represent under-exploited sources of development finance, technology transfer, and export linkages.

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4 Northwestern Pakistan comprises the city of Peshawar, as well as the surrounding administrative units of Khyber Pakhtunkhwa (KP) province and the Federally Administered Tribal Areas (FATA).
5 Afghanistan is Pakistan’s fourth-largest export market, accounting for 7.9 percent of exports in 2015.
7 It is estimated that KP province alone possesses a potential to generate 27,000 Mega Watt (MW) of a total of 40,000 MW available across all of Pakistan (International Growth Centre [2015]).
8 According to International Growth Centre (2015), two-thirds of KP’s population lives within an hour from Peshawar.
9 According to International Growth Centre (2015), a quarter of Pakistan’s migrants comes from KP. The stock of KP workers abroad is estimated at between 1.2 and 1.7 million.
5. Improvements in security, infrastructure investments, and renewed regional economic cooperation have given new hope for the revival of cross-border trade and bolstering of economic growth. The security situation in northwestern Pakistan has improved dramatically over the past few years. In 2015, the reported number of insurgent attacks fell by almost one half; and in 2016, a further drop of 28 percent in terrorist attacks was reported. The energy shortfall is gradually being addressed by the establishment of micro-hydro power plants, while investments in transportation infrastructure are addressing bottlenecks to connectivity between Peshawar and the rest of Pakistan. The planned merger of FATA with KP over the next five years will help remove regulatory differences between the two areas that have discouraged investment, reduced productivity, and limited access to essential inputs. Furthermore, cross-regional projects, such as the Central Asia-South Asia Electricity Transmission and Trade Project (CASA-1000) and the Turkmenistan-Afghanistan-Pakistan-India Pipeline (TAPI), are ushering in a new era of cooperation between governments in South and Central Asia.

6. Pakistan exhibits a large gender gap in labor force participation, with only 25 percent of women involved in the labor force compared to 83 percent for their male counterparts. There are large gender inequalities in the areas of health, education, economic opportunities, and political empowerment. The GoP recognizes the problem and has committed to achieve gender equality and empower women as part of the United Nations Sustainable Development Goals (SDGs). There has been progress with some provincial assemblies passing Women Protection Laws, and women today are more likely to participate in the labor force than a generation ago, but substantially more needs to be done to provide women equal economic opportunities. In addition, significantly fewer women than men operate businesses in KP and FATA. According to the World Bank Enterprise Surveys 2013-15, of all the manufacturing firms surveyed in KP, only 4.9 percent of them had women in ownership, and none of them had a woman manager; and only 1.8 percent of all the employed in the surveyed firms operating in manufacturing and services sectors were female. Figures on women’s entrepreneurship are expected to be even lower for FATA although data is scarce.

Sectoral and Institutional Context

7. Infrastructure deficiencies currently restrict cross-border trade between Pakistan and Afghanistan. Large stretches of the road between Peshawar and the border at Torkham consist of a two-lane, 6.0-meter-wide carriageway with earthen shoulders. The steep gradients and sharp curves are difficult for large multi-axle commercial trucks, and geometrics are inadequate to cater for high-speed heavy vehicle traffic. In addition to the challenging terrain, any efforts to improve to the highway have been constrained by heavy population settlements on both sides and a railway line running adjacent to the road. At the border crossing, inadequate infrastructure and truck terminals, and the need for cross-border traffic to exchange lanes results in the restriction of traffic to one direction at a time. Expensive informal levies assessed on the existing road between Peshawar and Torkham by local and national

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10 Since independence, FATA has existed as a special region of the federation of Pakistan and has been managed under the Frontier Crimes Regulation (FCR), which represents a special set of laws enacted by the British in 1901. In the current transitional period, the committee recommended that FATA be given a share of 3 percent in the National Finance Commission (NFC) award so that the region can be developed to bring it at par with the adjoining districts in KP.

agents further increase the costs of cross-border trade.

8. **Administrative and regulatory barriers impede cross-border trade.** Trade between Pakistan, Afghanistan, and Central Asia is restricted by inadequate trade facilitation, cumbersome customs procedures, the lack of risk management approaches coupled with 100 percent non-intrusive inspection of transit trucks, and under-developed trade and transit agreements. Despite recent efforts of GoP, traders continue to face problems, which hinder trade. Afghan cargo transiting Pakistan is subject to higher container insurance, security and detention charges, and multiple handling and inspection regimes. Frequent and prolonged closures of the border further increase costs and uncertainty. A Time Release Study (TRS) of the Torkham border, conducted in 2016, observed dwell times associated with processing formalities of shipments from Pakistan to Afghanistan of 12 hours and 23 minutes on average.\(^{12}\)

9. **Institutional weaknesses and infrastructure deficiencies constrain the development of cross-border value chains anchored in northwestern Pakistan.** While security in northwestern Pakistan has improved in recent years, regulatory barriers, bureaucratic fragmentation, and the administrative disjuncture between KP and FATA weaken the ability of firms to increase productivity and discourage private investment. Essential infrastructure is often unreliable and expensive to access and firms and entrepreneurs have difficulty obtaining finance.\(^{13}\) The educational attainment and skills base of the population is low and factor productivity across a variety of key sectors – including agriculture, manufacturing, and mining – is further hindered by antiquated technologies and a failure to exploit economies of scale.

10. **Realizing the potential of the Peshawar – Torkham expressway as an economic corridor requires coordinated investment in infrastructure and complementary interventions and policies for trade facilitation and economic development of FATA.**\(^{14}\) The complementary interventions serve to increase the economic development benefits of major investments in transport infrastructure. Towards this end, GoP is undertaking major efforts to address critical transport connectivity deficiencies, as well as undertake complementary policies to alleviate barriers to seamless trade movements and institutional impediments to the economic development of FATA, as explained below.

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\(^{12}\) IFC, World Customs Organization, and Federal Bureau of Revenue (2016). Time Release Study, Torkham Border, Pakistan – 2016. The dwell time for shipments from Afghanistan to Pakistan was an average of 34 hours and 8 minutes. Strikes by import agents during the study period contributed to the longer release times.

\(^{13}\) The provincial gap in financial sector flows has been widening. Only about 1 percent of banking system credit (PKR 52 billion; US$ 508 million) is deployed in KP and FATA as of December 2016, despite these regions containing over 10 percent of the country’s population as well as GDP (State Bank of Pakistan Data [December 2016]). The outreach of the microfinance sector is something higher, with about 2.5 percent of loans going to KP and FATA (Pakistan Microfinance Network Microwatch Issue 42 [December 2016]). While almost all banks and microfinance providers are in KP, there are very few institutions in FATA and most FATA customers are serviced from adjoining districts of KP. The unmet demand for financial services is evident from the 9,000 applications for matching grants from SMEs across KP and FATA.

11. **The GoP is upgrading roads linking Peshawar to the Indian Ocean and to other cities in Pakistan.**\(^{15}\) Pakistan’s National Highway Authority (NHA) is constructing a high speed, access-controlled transport corridor linking Peshawar, Islamabad, and Karachi. The on-going construction of the Pakistan China Economic Corridor (CPEC) – a US$ 54.0 billion package of investments in road, rail, fiber-optic cables, and oil and gas pipelines linking the seaports of Gwadar and Karachi to Xinjiang – will improve the quality of infrastructure linking major cities in Pakistan to western China and the Indian Ocean.\(^{16}\) NHA is also developing a transport connectivity program that will link Afghanistan to CPEC via border crossings at Chaman in Baluchistan and Torkham in FATA.

12. **Various actors are coordinating to upgrade roads between Kabul and Torkham, which – in conjunction with PTEX – will form a building block for providing world-class connectivity between South and Central Asia.** The Government of Afghanistan (GoA) has committed to enhancing road connectivity between Kabul and Torkham. GoA is upgrading a 155-kilometer road between Kabul and Jalalabad (financed by the Asian Development Bank [ADB]) and a 76-kilometer additional carriageway between Jalalabad and Torkham (financed by GoP). GoA has also requested that the World Bank support a detailed feasibility study and preliminary design for a modern 4-lane controlled access expressway from Kabul to Torkham, which would connect to the proposed Peshawar-Torkham Expressway (PTEX).

13. **Beyond transport, key investments to reduce the costs of trade between Afghanistan and Pakistan are underway.** The GoP is investing in electronic data interchanges (EDI) at the Afghanistan border through its accession to the International Road Transportation (TIR) convention and ADB is financing the upgrading of cross-border infrastructure and facilities at Torkham,\(^{17}\) including installing modern equipment, cargo inspection sheds, weigh bridges, warehousing, truck parking, and immigration, communication, and power facilities. The project will create a modernized border-crossing point that meets users’ demands for quality border-crossing services. The Federal Board of Revenue (FBR) is also developing a National Single Window (NSW) through technical assistance provided by the United States Agency for International Development (USAID). Afghanistan is also upgrading its border / custom processes with the support of the World Bank. The World Bank task team has also received commitment in principle from GoA representatives to improving the infrastructure at the crossing point in Torkham in line with the ADB project and PTEX.

14. **The legal framework for reviving trade between Afghanistan, Pakistan, and Central Asia is in place and further developing.** The provision by Pakistan of transit trade facilities to Afghanistan was first formalized under the Afghanistan Transit Trade Agreement (ATTA) signed in 1965. In 2010, the agreement was enhanced, with the Afghanistan Pakistan Transit Trade Agreement (APTTA) providing reciprocal transit trade privileges to Pakistan to enter the Central Asia markets and Iran via Afghanistan. Recently, Tajikistan has requested to be part of a trilateral transit trade agreement. A draft trilateral transit trade agreement has been prepared and Pakistan has provided its consent to

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\(^{15}\) Roads carry 96 percent of Pakistan’s inland freight, linking ports in the south to industrial centers in the north. Traffic movements are primarily concentrated along the National Highway N-5 Corridor (the 1,819-km long highway connecting Torkham–Peshawar–Islamabad–Lahore–Karachi). Together the ports, roads and railways along the N-5 Corridor handle 96% of external trade, 65% of total inland freight and serve the regions of Pakistan that contribute 80-85 percent of the GDP.

\(^{16}\) Of the overall US$ 54.0 billion CPEC investment, US$ 35.0 billion is earmarked for electricity generation projects and US$ 11.0 billion for transport infrastructure.

\(^{17}\) ADB Project No. 46378-002 – US$ 250.0 million: Central Asia Regional Economic Cooperation Improving Border Services.
the draft agreement. The Kyrgyz Republic and Turkmenistan have also indicated their interest in being part of the transit trade agreements with Pakistan and Afghanistan to obtain access to the Gwadar port.

15. **The GoP and its development partners are promoting private sector development in FATA.** The FATA Secretariat receives funds from bilateral and multilateral development partners, including USAID, Italy, Germany (GIZ-KFW), Switzerland (SDC), Kingdom of Saudi Arabia, United Arab Emirates (UAE), Asian Development Bank (ADB), United Nations, and the Multi Donor Trust Fund for KP/FATA and Balochistan (MDTF). Among salient initiatives, USAID funded the completion of Gomal Zam dam in FATA, ADB funded the FATA Rural Development Project (FRDP) to support local farmers, and the United Nations Development Program (UNDP) recently launched a US$ 15 million FATA Economic Revitalization Program (FERP). The GoP is also investing in upgrading several industrial zones, though these investments have so far been confined to KP.

16. **The FATA Development Authority (FDA) and FATA Secretariat are undertaking numerous activities to promote skills development.** The FDA has provided vocational training to about 27,000 young males and 28,000 young females throughout FATA. The FDA also supports on the job training and has established a job placement center. Various skills development and technical training activities are also currently being implemented by the FATA Secretariat, with various line departments running short-term programs. The Federal Prime Ministers Youth Skill Development Program, managed by the National Vocational & Technical Training Commission, is also implemented in various institutes across FATA. Government Technical Institutions have been established in all agencies of FATA and are administered by the FATA Secretariat.

17. **The World Bank is supporting inclusive economic development in FATA and KP.** Since 2011, the WB-administered MDTF has financed various projects in FATA, including the Economic Revitalization of KP and FATA Project (ERKF), the FATA Emergency Rural Roads Project, the Rural Livelihood and Community Infrastructure Development (RLCIP) Project, the FATA Urban Centers Project (FUCP), and the Governance Support and Policy (GSP) project. ERKF has provided matching grants to over 400 businesses across FATA to ease access to finance; FUCP developed urban areas in FATA by installing streetlights, constructing pavements, drainage systems and improving the solid waste management systems; RLCIP supported the skills development of the residents of FATA. In addition, the WB is implementing a KP Tourism Development Project and a KP Agriculture Development Project.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

18. The PDO is to expand economic activity between Pakistan and Afghanistan by improving regional connectivity and promoting private sector development along the Khyber Pass corridor.

Key Results

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18 FATA Development Authority website--http://fatada.gov.pk/skills-development/
19. Expanded economic activity will be measured by the reduction in truck travel time along the corridor, border clearance time as well as annual volume of cross border trade. Improved private sector development will be measured by the increase in number of firms (including those managed and/or owned by women) benefiting from project’s investments.

D. Project Description

A. Project Components

20. **Component I: Expressway Development** (US$ 402.75 of which expected IDA financing is US$ 383.60 million). The Project will finance the detailed design and construction of the proposed four-lane Peshawar Torkham Expressway (PTEX), the laying of fiber optic cables in trenches along PTEX, land acquisition and resettlement, afforestation along PTEX, and technical and independent reviews and studies for the preparation of new projects. GoP will finance land acquisition and resettlement and the cost of securing safe access for designers and contractors. PTEX will be an extension of the Karachi – Lahore – Islamabad – Peshawar Trans-Pakistan Expressway System as well as part of the planned Peshawar – Kabul – Dushanbe Motorway.

21. **Component II: Development of the Khyber Pass Economic Corridor** (US$75 million, of which IDA is US$72 million). This component will, in conjunction with other initiatives, maximize the benefits of PTEX for Western Greater Peshawar (WGP) by alleviating key constraints to the integration of private sector actors in the Khyber Agency into global value chains. Component II will have two main sub-components: (i) Technical assistance (US$7 million) to coordinate and prioritize public investments in WGP through the preparation of a master plan; assure the feasibility and develop detailed designs for prioritized investments; and preserve and promote the heritage of the Khyber Pass. The technical assistance will also finance an impact evaluation to assess the effects of the PTEX and the complementary investments under Component II on the welfare of the project-affected people. (ii) Infrastructure investments and institutional improvements (US$68 million) to promote the integration of local producers into global value chains. Subject to the results of the SMP-WGP and feasibility studies, the second sub-component will finance infrastructure and other investments across WGP.

22. **Component-III – Project Management (US$ 5.0 million)**: This component shall finance costs associated with project management such as incremental operating costs (IOCs).

E. Implementation

Institutional and Implementation Arrangements

23. **Implementation Period**: 6.0 Years (June 14, 2018 to August 31, 2024).

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19 Khyber Agency is one of the eight agencies (tribal areas) that comprise FATA. The majority of PTEX runs through FATA with a few kilometers running through the Peshawar District in KP. At the request of both the governments of KP and FATA, Component II focuses on FATA specifically, where the needs are the greatest and where initiatives are relatively limited.
24. **Project oversight will be the responsibility of a Project Steering Committee**, which will comprise representatives of MoC, Ministry of States and Frontier Regions (SAFRON), NHA the FATA Secretariat and possibly the Khyber Pakhtunkhwa (KP) Government. The Steering Committee will be established within one month of Credit Effectiveness.

25. **NHA will establish a PIU in its North Zone Office at in Peshawar to implement both Components I and II.** NHA will depute competent staff from within authority for the Project, including a Project General Manager (GM), a Project Director (PD) and a Deputy Project Director (DPD). The PIU will also include representatives from the FATA Secretariat including a DPD and technical experts on industrial zones and archaeology / heritage. The PIU will be supported by consultants in the implementation of Component II activities that are beyond the remit of NHA and for which the FATA Secretariat requires support. The procurement and financial management functions will be provided by NHA staff in HO and will be supported by staff in the North Zone Office if deemed necessary. The PIU staff will include an Environmental Specialist; a Social/Resettlement Specialist, and a gender specialist to ensure opportunities for employment generation for women are fully exploited, and GBV protocols are developed and implemented. The PIU will be established within one month of Credit Effectiveness.

**F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

The proposed expressway is located in the province of Khyber-Pakhtunkhwa (KP) and Federally Administered Tribal Areas (FATA). KP is largely located on the Iranian plateau and Eurasian land plate, while peripheral eastern regions are located near the Indian subcontinent and this has led to seismic activity in the past. The project area can be divided into two major geographical divisions: (i) rugged mountainous regions in the north and west, which abut the Afghan border; and (ii) a plain in the south east which abut the city of Peshawar. The proposed project area lies in a plain and mountainous region with a semi-arid sub-tropical continental highland climate. Much of this region has been cleared for cultivation, and biological diversity is very low mainly due to shortage of water and limited rainfall. The quality of fresh water resources is under stress due to over exploitation. Seasonal water surface bodies known as Khwars are found at intermittent intervals throughout the alignment. The temperatures range in summer from 18 to 40°C and in winter from 2 to 25°C. The area contains a number of sites of historical and cultural interest such as the Jamrud Fort and an adjacent old British cemetery, Ali Masjid Fort (constructed in 1890), Shaghai Fort, Shpola Stupa (a Buddhist ruin), Khyber Stupa, and Tamerlane's Prison. The four-lane controlled access expressway that will be financed by component-I will cover a distance of 50 km from Hayatabad town to Torkham. The alignment passes through a barren mountainous region with patches of agricultural land and human settlement. The first few kilometers of the alignment are generally flat. It then runs through mountains followed by a narrow valley for a total distance of about 20 kilometers. Subsequently, it passes through buildup areas before entering a 5-kilometer range requiring cutting of slopes to accommodate motorway horizontal and vertical geometry design standards. Activities financed by component-II cover suburban and peri-urban areas in Khyber and Mohmand Agencies.
### G. Environmental and Social Safeguards Specialists on the Team

Mishka Zaman, Social Safeguards Specialist  
Imran-ul Haq, Social Safeguards Specialist  
Ahmad Imran Aslam, Environmental Safeguards Specialist

### SAFEGUARD POLICIES THAT MIGHT APPLY

<table>
<thead>
<tr>
<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>Yes</td>
<td>Component I of the project will finance construction of an expressway on a new alignment with significant adverse environmental and social impacts. Similarly, Component II focuses on developing a master plan, undertaking feasibility studies and engineering designs for logistics hubs and industrial / commercial infrastructure along PTEX; branch roads connecting PTEX to local and national road networks; a bus terminal; etc. These activities are expected to have significant environmental impacts some of which can also be irreversible. Therefore, the policy has been triggered and the project has been classified as category A project.</td>
</tr>
</tbody>
</table>

During construction stage of expressway (Component I), impacts may include resettlement due to acquisition of land and private properties, soil erosion, improper disposal of spoil, loss of vegetation, disturbance to people, disruption of traffic and some possible impacts on the health and safety of general public and workers. And, during operations phase, negative impacts may include noise pollution, increase in greenhouse gasses emissions due mainly to the increased volume of traffic, erosion and road safety.

The project is following hybrid approach where the client has prepared site specific Environmental and Social Impact Assessments (ESIA) for component I and Environmental as well as Social Management
Frameworks for activities under component II. Site specific Environmental and Social Management Plans (ESMP) will be prepared during implementation stage.

<table>
<thead>
<tr>
<th>Performance Standards for Private Sector Activities OP/BP 4.03</th>
<th>No</th>
<th>The Bank's safeguard policies are being followed.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>No</td>
<td>There are no critical habitats in the project area nor does project impact any natural habitat. The terrain of the Project area is characterized by dry, barren mountains with low biological diversity due to the shortage of water, limited rainfall, and poor soil. Much of this region has been cleared for cultivation and biological diversity is very low due to the shortage of water, limited rainfall, and poor soil.</td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td>No</td>
<td>The proposed project is unlikely to directly affect forests.</td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td>No</td>
<td>The proposed project will not finance or use Pesticides.</td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td>Yes</td>
<td>There are a number of sites of historical and cultural interest in the vicinity of the Project area and carry a risk of being damaged/vandalized. The PCR Management Plan, presented as an Annex in the ESIA, will be followed to mitigate the potential impacts on PCRs during project implementation.</td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td>No</td>
<td>There are no indigenous people in the Project area.</td>
</tr>
<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td>Yes</td>
<td>OP 4.12 is triggered as activities under Components-I and II will require land acquisition/resettlement and will have an impact on livelihoods. Under Component I, the Project will acquire approximately 1,193 acres of land for construction of the Expressway. Livelihood impacts will also be experienced as some agricultural land is falling within the alignment and will need to be acquired. It is estimated that 4,273 persons will be impacted by the Expressway (about 527 affected households with significant social impacts). In addition, public infrastructure including two mosques, one school, a hospital, two water supply plants, four water tanks, four pylons, 163 electric poles and three dug wells will need to be rebuilt or relocated. Out of the total 189 business operators, 46 business owner operators and 143 tenant business operators will be</td>
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affected. A total of 72 employees will lose their income.

As the specific investments to be financed by Component II are not known and the scope and scale of impacts cannot yet be determined, a framework approach has been adopted.

### Safety of Dams OP/BP 4.37

**No**

The project does not involve construction of dams.

### Projects on International Waterways OP/BP 7.50

**No**

The Project area has some streams which may meet the definition of International Waterways as defined by the policy. However, OP 7.50 is not applicable to expressway projects.

### Projects in Disputed Areas OP/BP 7.60

**No**

The project is not located in a disputed area/territory. Therefore, this policy is not triggered.

### KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

#### A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

   Potential negative environmental impacts of Component I include: soil erosion; improper disposal of spoil; loss of vegetation; destabilization of mountain slopes; diminished availability of water; blockages of drainage; air pollution from asphalt plant, vehicles, and construction machinery; noise and vibration from blasting, construction works and machinery movements; and waste from construction activities. During the operation phase, an increase in GHG emissions is expected due to the increased volume of traffic. These may be offset by planting trees along the road, adapting phased Euro standards, and reducing the sulphur content of petroleum products. Potential negative impacts of Component II (which is expected to finance the construction and/or rehabilitation of roads and bridges and industrial/commercial infrastructure) include: deterioration of air, soil, and water quality from increased economic activity, mechanization, and power generation; stress on water tables; noise and vibration from construction, traffic as well as industrial and commercial activities; traffic management related issues; and the loss of natural vegetation and associated fauna.

   There are a number of historical and cultural sites along the project corridor. While these PCRs are not in the right of way of the expressway, some of PCRs are in the close vicinity and may get damaged/vandalized during the construction phase. Furthermore, opening up of area during the operational phase may increase the number of people visiting PCRs in the vicinity. The Contractor will be required to train and instruct the construction crew(s) and site supervisors in archaeological, cultural, historical site and artifact recognition, conservation procedures, and temporary site protection. Furthermore, the expressway design was specifically altered to protect a well-known PCR. Legal provisions especially related to maintaining a safe distance between archaeologically important sites and project working site as stipulated in the Antiquities Act 1975 will strictly adhered to.

   For Component I, about 527 households (encompassing 4,273 persons) will experience significant negative social impacts, including the permanent loss of land, houses, trees/crops and/or other immovable assets. It is estimated
that 1,193 acres of land will be acquired for construction of PTEX, of which 137 acres are individually owned, 1,055 acres are collectively owned by different clans (khels), and 1 acre is community and public land. As the alignment crosses agricultural land, livelihoods are expected to be impacted. Other adverse social impacts that are anticipated include restrictions and disturbances to public movement and transportation. Activities financed by Component II are expected to require acquisition of private and/or communal lands and the resulting loss of private and/or communal assets. Other potential negative impacts include vibration; unwanted attention or abuse from construction workers; disturbances to land use and peoples’ access to resources; and impacts on community health and safety. R

Issues related to labor influx can be substantial. These include risks related to GBV / SEA, initiation or exacerbation of social conflicts related to religious, cultural and ethnic differences; increase in crime rates and perception of insecurity by the locals; air, noise and light pollution from camps; exposure to communicable diseases; and waste disposal related issues. These issues will be mitigated through camp management plan. The contractor will be required undertake construction activity within specified timings and will maintain sanctity of local customs and traditions as well as obey local norms and cultural restrictions. The contractor will be required to maintain noise and light pollution at minimal levels

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

Long-term environmental impacts include scarring of the landscape and geophysical environment. Once the Expressway is operational, increases in traffic are expected to result in a surge in air pollution caused by dust and particulate matter (especially 2.5). Compared to the baseline, noise levels are expected to increase and remain high. The opening of new avenues of development and subsequent increases in industrial and commercial activities are expected to increase pressure on natural resources (especially water) and may lead to the contamination of land and water and the degradation of air quality. Like in all major expressways, road safety issues would be important.

Mitigation measures have been proposed during the operation phase of the expressway. Such measures relate to air pollution and quality include plantation of trees, speed limit enforcements, monitoring of air quality preferably close to residential areas, vehicle inspections for compliance with national Environmental Quality standards and proper maintenance to maintaining good surface conditions of the roads. Afforestation will also act as a barrier to noise pollution. Furthermore, noise barriers would also erected at sensitive locations. Road signs and markings as well as enforcement of speed limits would help to improve road safety.

In order to prevent surface and groundwater contamination, service areas will work under a system of SOPs that have provisions for oil spill prevention and management. It has been recommended that the government relevant government department should take onboard all stakeholders from all proposed projects in a forum to discuss solutions to adverse cumulative hydrology impacts (such as surface water flow, ground water utilization and quality impacts). In addition to these measures, the local government of FATA and KPK should establish a forum of stakeholders to discuss solutions to adverse regional impacts that are expected because of increased pressures on the environment and other natural resources.

The Project will also have a number of long term positive impacts on road users, small and medium enterprises (SMEs), consumers of tradeable goods and services, and owners and employees of firms producing tradable goods and services along the project corridor and/or served through the link/secondary roads. Potential indirect adverse social impacts may include inconvenience and disturbance to the communities, need to use alternate routes, disturbances to land use and peoples’ access to resources; and impacts on community health and safety etc.

In addition, the Operational Manual developed during project implementation will refine E&S mitigation measures
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

One alternative option is to not undertake the Project. The existing road between Peshawar and Torkham (N-5) is metalled, 7.3 meters wide with 2.0 meter shoulders, is 40.1km long, and features steep curves (minimum radii of 15m) that pose hazards for heavy traffic and passage through populated areas that pose hazards for members of local communities. Continued use of the existing road would increase safety risks for road users and local communities, transportation costs, and travel time. Not undertaking the Project would negate associated physical, biological, and social costs. Another alternative is to improve the existing road by widening it and reducing sharp curves so as to enable the existing alignment to withstand growing traffic volume. However, significant land acquisition, resettlement, and associated negative environmental and social impacts would result.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The National Highway Authority (NHA) is the implementing agency for the Project and will be responsible for complying with the Environment and Social Impact Assessment (ESIA; including a Physical Cultural Resources Management Plan [PCRMP]) and Environment Management Plans (EMP) for Component-I; the Environment Management Framework for Component-II; the Social Management Framework (SMF) for Component-II (including a Labor Management and Gender Framework; site-specific Environmental and Social Management Plans [ESMPs] will be prepared during implementation); the Resettlement Action Plan (RAP) for Component-I; the Resettlement Policy Framework (RPF) for Component-II. For Component-II, site-specific RAPs will be prepared during implementation as necessary, and that these will be cleared by the Bank prior to disclosure in-country and on the Bank’s website. NHA has implemented a large number of projects financed by the World Bank, ADB, JICA, USAID, and DFID and is very familiar with the safeguard policies of multilateral and bilateral donors. NHA’s in-house ‘environmental section’ headed by a General Manager will assist the Project Implementation Unit (PIU) in environmental and social monitoring and liaise between the NHA, environmental protection agencies, and the World Bank to assure compliance.

Construction Supervision Consultants will ensure that all contractual obligations related to environmental and social compliance are met and will provide a Senior Environmental Specialist who will: (i) assure that the Contractors comply with all necessary requirements contained in the EMP; (ii) ensure that the day-to-day construction activities are carried out in an environmentally sound and sustainable manner; (iii) develop good practices construction guidelines to assist the Contractors in implementing the EMP; and (iv) prepare and submit regular environmental progress reports, inter alia including a breakdown of non-compliances and rectification by the contractors and the monitoring results. In addition, NHA will engage an Independent Environmental Monitoring Consultants to monitor the following environmental quality parameters at locations identified in the EMP: (i) ambient air quality; (ii) ground and surface water quality; and (iii) noise levels. NHA will also engage an independent agency (an academic institute or an individual consultant) to conduct 3rd party validation of implementation of the EMP activities.

The capacity of NHA and contractor(s) in GBV / SEA issues is low. The Project will train the NHA and local governments to enhance their capacity in preventing and responding to GBV, SEA and HIV/AIDS-related incidents. In addition, the Project will undertake community-level awareness raising, training of labor and contractors, identification of service providers for GBV/SEA, and adoption of codes of conduct that include prohibitions against GBV / SEA. A three-tier grievance redressal mechanism (GRM) will be set up, encompassing a village / jirga level, tehsil level, and the PIU. The GRM will respond to complaints received from project affectees and other stakeholders and provide a prompt, transparent and fair resolution using survivor-centered protocols, including appropriate mechanisms for referral to
service providers.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Consultations were carried out during the environmental and social assessment process (including resettlement planning) with primary (persons residing in the project area) and secondary (people, department, institutions, and/or organizations they may influence the project and its design) stakeholders. They included project proponents (NHA, Government of KP and FATA), other concerned departments that may have a role during various phases of the project, regulatory agencies such as Environmental Protection Agency (EPA), other relevant departments such as C&W, Revenue Department, non-governmental organizations (NGOs), the broader interested communities including academia and journalists, and the general public. Consultations were carried out with all these stakeholders in order to take into account their views about Project impacts, discuss resettlement options and formulate compensation entitlements, relocation and rehabilitation plans for the project, and to integrate their concerns and recommendations in the Project design. Further details are noted in the respective safeguard documents.

Stakeholder consultation will be an ongoing process and will continue throughout project implementation through the following means: GRM (multi-tiered), awareness campaign for all stakeholders, and formal interactions through periodic workshops, consultation sessions with wider stakeholders especially institutional ones such as other Government Departments and relevant NGOs. Proceedings will be recorded and included in the QPRs.

Safeguard documents have been disclosed through official websites of NHA and FATA Secretariat and on the World Bank website. Executive summaries of these documents have been translated into Urdu and disclosed through the above-mentioned websites and will be made available to the affected communities at project sites. Subproject-specific EMPs and RAPs, once prepared and approved, will be disclosed in a similar manner.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

<table>
<thead>
<tr>
<th>Environmental Assessment/Audit/Management Plan/Other</th>
<th>Date of receipt by the Bank</th>
<th>Date of submission for disclosure</th>
<th>For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors</th>
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"In country" Disclosure

Pakistan
ESIA on January 1, 2018
EMF on February 2, 2018
EMF on February 13, 2018

Revised ESIA, EMF and ESMF disclosed on 8 May 2018 in Pakistan and through Bank on 9 May 2018

Comments
Resettlement Action Plan/Framework/Policy Process

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<td>RPF and SMF on February 13, 2018</td>
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"In country" Disclosure
Pakistan
RAP on January 30, 2018
RPF and SMF initial disclosure on February 13, 2018

Revised RAP, RPF and SMF on May 08, 2018 in Pakistan and through Bank on 9 May 2019.

Comments

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?
Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?
Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?
Yes

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?
Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?
Yes

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?
Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?
Yes

Is physical displacement/relocation expected?
Yes
Provide estimated number of people to be affected  4,273

Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)
Yes
Provide estimated number of people to be affected  4,273

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?
Yes
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?
Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?
Yes
Have costs related to safeguard policy measures been included in the project cost?
Yes
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?
Yes
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?
Yes

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APPROVAL

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Approved By

Safeguards Advisor:

Practice Manager/Manager: