



# Environmental and Social Review Summary

## Appraisal Stage

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

Date Prepared/Updated: 04/24/2019 | Report No: ESRSA00141



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Pakistan	SOUTH ASIA	P165982	
Project Name	Pakistan Revenue Mobilization Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing	4/22/2019	5/30/2019
Borrower(s)	Implementing Agency(ies)		
Economic Affairs Division	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	1500.00

**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 nationwide in urban centers (FBR offices) and border control posts (Pakistan Customs): Islamabad Capital Territory, provinces of Balochistan, Khyber Pakhtunkhwa, Punjab, and Sindh. No new construction is involved throughout the project. The project will support financing of automation and computerization of the Tax processes and offices at National and provincial levels. The below figures summarize the type and quantity of ICT equipment including desktop computers, laptops, scanners and printers, etc. that will be dispatched throughout the 23 IRS (Inland Revenue Services) offices and 19 Pakistan Customs offices across urban centers of Pakistan including Islamabad Capital Territory and all provinces. Total number of Desktop Computers: 3340 Total number of Printers: 2239 Total number of Scanners: 641 Total number of Laptops: 322 Total number of VC Equipment: 19 Total number of Switches: 189 Total number of Wireless Routers: 42 Total number of Servers: 16 Total number of Server Computer: 8

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. The inception report of the Stakeholder Engagement Plan has identified vulnerable people at risk of marginalization. As per ESS10, it is particularly important to understand project impacts and whether they may disproportionately fall on disadvantaged or vulnerable individuals or groups, who often do not have a voice to express their concerns or understand the impact of a project. In the case of Pakistan Revenue Mobilization Project, both men and women who do not have sufficient ICT training would be adversely impacted and not be able to utilize or benefit from the FBR processes. Women taxpayers can be at a greater disadvantage in terms of ease of access and ICT knowledge to use the FBR interface as compared to men due to (generally) lower level of literacy, access to services (such as tax accountants where most of them are males) etc. Other disadvantaged groups include disabled people, who may be physically challenged or unable to use their limbs, or be dyslexic, blind or handicapped in other ways. They would not be able to access, let alone use the FBR online platform. Women employees of the FBR and Pakistan Customs may not benefit equitably by working in these organizations due to the organizational culture, workplace suitability, working hours, etc. They may not have equal opportunity to promotions or be given performance incentives as compared to their male counterparts. Also retention rates may be lower for women in key positions. A listing of disadvantaged groups and/or individuals may be: a. Women taxpayers may be represented by the National Commission on the Status of Women (NSCW) b. Disabled taxpayers may be represented by the Pakistan Society for the Rehabilitation of the Disabled (PSRD) c. Women Employees of FBR, including Customs, inland revenue and other implementing parties d. Taxpayers with low ICT literacy

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

Borrower institutional capacity for implementing Environmental and Social Standards (ESS) under the ESF, is limited since Federal Board of Revenue (FBR), the main implementing agency, has limited exposure to donor-financed projects including World Bank. Draft ESCP commits to provide institutional support to the Project in implementing ESF by hiring professionals and consultants. FBR will hire at least one environmental specialist and one social specialist as full time staff at the PMU to manage and mitigate the environmental and social risks identified as per ESSs. Further, since this is a nationwide program, FBR will designate E&S focal points at provincial levels to enhance smooth implementation of environmental and social mitigation measures. Project will also undertake measures for institutional capacity building ranging from trainings for the PMU and PIU staff, as well as for contractors and labor associated with the project. All of this has been committed under the ESCP with associated timelines, milestones, responsibilities and costs committed and agreed upon.

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



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

Moderate

**Environmental Risk Rating**

Moderate

Most of the identified environmental risks are related to management and disposal of electronic waste (e-waste) in a sustainable manner. This e-waste will be generated when ICT equipment will be replaced across Inland Revenue Services (IRS) and Pakistan Customs offices under 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 e-waste, FBR will develop and adopt an E- Waste Management Plan applicable throughout the ICT lifecycle. This Plan will take into account labor issues (associated with e-waste handling) and community health and safety issues.

**Social Risk Rating**

Moderate

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. Some stakeholders such as tax accountants may also be affected as currently they were employed by almost all citizens to file their tax returns with the FBR. A Social Management Framework will be developed to guide the Project in managing and mitigating these risks. 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.

**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:**

Appraisal stage analysis confirms the risks identified at the PCN stage as follows: 1) Generation of e-waste and 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’s abilities to understand, comprehend and operate sophisticated IT processes. As committed in the draft ESCP, FBR will conduct an environmental and social assessment (ESA) to identify, mitigate and manage the perceived environmental and social impacts related to the project, with a focus on replacement of IT equipment, installation of electronic system for taxpayers, disposal of obsolete IT equipment and possible social exclusion and conflict due to automation. The assessment will be conducted jointly by the Environment Specialist, and the Social Specialist both hired by the FBR. It is anticipated that this exercise will be completed before the Board Approval date. In case it is not, it must be completed before the award of first work contract. Based on this exercise an E-Waste Management Plan (EWMP) will be prepared following relevant national and provincial environmental laws and procedures during the preparation stage. The EWMP will be based on the Good International Industrial Practices (GIIP) and will be implemented by FBR with support from a certified E-waste disposal contractor. FBR will also be responsible to conduct an independent third-party assessment of safe disposal of E-waste generated during the project life. The Assessment will also result in a Social Management Framework (SMF) based on an exclusion and conflict analysis. The analysis will ascertain the impacts of automation and computerization on common taxpayers and small and medium enterprises and traders and will and mitigation measures. The analysis will also assess the vulnerability of taxpayers to risk of exclusion, and will advise the Project on making user friendly, easy to understand taxation processes and facilitation mechanism. It will take into account vulnerable people as defined by the ESF and SEP, including people

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with disabilities, to identify and report on any negative or positive impacts on vulnerable groups and communities. In case negative impacts are identified, the Framework will suggest mitigation measures. Further, the Assessment will also assess the relevance of other ESS with reference to project activities, specifically ESS4 on Community Health and Safety. The above assessments will follow the mitigation hierarchy proposed by the ESF and will take into account all applicable national laws and regulations.

### ESS10 Stakeholder Engagement and Information Disclosure

FBR is currently developing a Stakeholder Engagement Plan (SEP) with support of a Social Development Specialist, external to FBR and the World Bank. An inception report has been submitted by the consultant which is currently under the review of Bank specialists and FBR. The exercise entails identifying project affected parties and other interested parties as part of the stakeholder identification and analysis process, including identification of vulnerable groups/people to be affected by the Project. An external specialist has been hired so that the identification of stakeholders is unbiased and transparent. The specialist is providing support to conduct a comprehensive analysis, to help design an inclusive engagement process. The approach being followed for preparing stakeholder engagement analysis underscores three elements: belief in the primacy of qualitative data, commitment to participatory methods and flexible responsive methods. An inclusive and participatory approach will be followed taking the main characteristics and interests of the stakeholders into account, as well as the different levels of engagement and consultation that will be appropriate for different stakeholders. A substantive and comprehensive desk review will be undertaken in the inception phase to map and identify different stakeholder groups in accordance with the project objective areas. Three categories of stakeholders as per ESS10 outlined in the inception report are reproduced as follows: i. Affected parties ESS10 refers to Identifying individuals, groups, and other parties that may be directly or indirectly affected by the project, positively or negatively. The SEP will focus particularly on those directly affected, positively or adversely by the project activities. So far, the directly affected parties under this category have been identified by the client and the consultant as: a. The FBR (project implementing agency) b. Ministry of Finance (project implementing agency) c. Pakistan Customs (project implementing agency) and dry port/sea port authorities and customs clearing agents d. Provincial tax authorities e. Chambers of Commerce representing manufacturers, importers and exporters f. Women Chambers of Commerce and Industry g. Traders Unions representing retailers h. Citizens of Pakistan in the taxable income brackets (including those who pay income tax, sales tax, withholding tax, etc.) to be represented by Pakistan Civil Societies Forum. Establishing shared online platforms for e-filing of GST and GSTS returns and online payment options, would reduce limited coordination between the federal and provincial revenue authorities, will assist in broadening the tax base, and improve business intelligence. This will impact all sections of the society, be it business community (small, medium and large manufactures, traders, retailers etc.) professional service providers (doctors, architects, lawyers, etc.) and consumers (via income tax and GST etc.) SEP will conduct sufficient consultations with each of this group, record their observations and suggestions, and define a strategy for continual engagement with each of them throughout the project life. SEP will specifically suggest mode of communication and frequency of these engagements, suitable to each type of stakeholder. ii. Other interested parties There can be broader stakeholders who may be interested in the project because it indirectly affects their work or has some bearing on it. In this context these can be government officials from other ministries for instance ministry of trade, planning and development, human rights, climate change with respect to management of E-Waste, FIA for the upgrading of data systems to reduce or eliminate cyber crime, etc. Business interest groups such as Pakistan Business Council, manufacturer associations (like APTMA, PVMA, etc.) and tax accountants will have an interest in this project, as these reforms can have an impact on their work. There will be civil society organizations,



which are concerned with people’s rights as consumers in Pakistan, for instance, the Network for Consumer Protection. As elucidated in the ESS10, while these groups may not be directly affected by the project, they may have a role in the project preparation or have a broader concern than their individual household. Some groups may be interested in this project because of the sector they are in (for example, sugar, cement, tobacco), large withholding agents such as the telecom sector and so on. Interested parties under this category may be identified as: a) Pakistan Business Council b) Trade Development Authority of Pakistan c) Federal Tax Ombudsman d) Tax Lawyers and Accountants e) Accountant General of Pakistan Revenues (AGPR) f) Auditor General of Pakistan (AGP) g) Network for Consumer Protection h) Business Sector Associations such as PVMA, APTMA, PAMA, PKI, ABAD etc. i) Pakistan Fast Moving Consumer Goods Association j) Ministry of Law k) National Response Centre for Cyber Crime (NR3C) -FIA l) Federal and Provincial EPAs m) State Bank of Pakistan n) The Securities and Exchange Commission (SECP) o) National Database and Registration Authority (NADRA) p) Commercial Banks, Utilities and Telecom companies as withholding agents q) Consumer Rights Commission of Pakistan SEP will conduct consultations with representatives of each of these groups and define a strategy for continual engagement with each of them throughout the project life. iii. Disadvantaged / vulnerable individuals or groups As per ESS10, it is particularly important to understand project impacts and whether they may disproportionately fall on disadvantaged or vulnerable individuals or groups, who often do not have a voice to express their concerns or understand the impact of a project. In case of Pakistan Revenue Mobilization Project, both men and women who do not have sufficient ICT training would be adversely impacted and not be able to utilize or benefit from the FBR processes. Women taxpayers can be at a greater disadvantage in terms of ease of access and ICT knowledge to use the FBR interface as compared to men due to (generally) lower level of literacy, access to services (such as tax accountants who are mostly male) etc. Other disadvantaged groups include disabled people, who may be physically challenged or unable to use their limbs, or be dyslexic, blind or handicapped in other ways. They would not be able to access, let alone use the FBR online platform. Women employees of the FBR and Pakistan Customs may not benefit equitably by working in these organizations due to the organizational culture, workplace suitability, working hours, etc. They may not have equal opportunity to promotions or be given performance incentives as compared to their male counterparts. Also retention rates may be lower for women in key positions. A listing of disadvantaged groups and/or individuals may be: a. Women taxpayers may be represented by the National Commission on the Status of Women (NSCW) b. Disabled taxpayers may be represented by the Pakistan Society for the Rehabilitation of the Disabled (PSRD) c. Women Employees of FBR, including Customs, inland revenue and other implementing parties d. Taxpayers with low ICT literacy Consultations carried out under this exercise will specifically conduct consultations with representatives of disabled citizens groups, and accordingly design and suggest engagement mechanisms and frequencies, customised for people with disabilities. This will continue throughout the Project life. A Grievance Redressal Mechanism will also be developed and operationalized, commensurate to the requirements of ESS10. Such GRM will serve to voice the complains/issues raised or faced by beneficiaries as well as all stakeholders as defined above. SEP will specifically follow the template/guidelines provided by the World Bank to prepare and operationalize such a GRM.

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## **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 labor such as contracted workers, and workers hired by project suppliers. 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 would 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 with 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, 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. Environmental and social assessment will identify potential risks related to labor management and will determine the ways in which national laws and requirements of ESS2 are applied to the project as well as measures required for Occupational Health and Safety (OHS) for all project workers. The proposed OHS measures applying to the project will be set out in legal agreement and ESCP. With regards to above, ILO Pakistan has done considerable work on identifying gaps in current legislation on fair treatment of labor, minimum wage and female labor participation in consultation with all stakeholders. It maintains tripartite consultative groups, consisting of government, private sector and labor unions' representatives at the federal and provincial levels. ILO Pakistan has shown interest in supporting FBR in developing the labor management procedures and to provide technical assistance. World Bank has recommended FBR to engage a labor expert (consultant) to prepare the LMP under the guidance of ILO. Project ESCP reflects the same.

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

Resource Efficiency and Pollution Management Standard (ESS3) is relevant to the project since the project will generate electronic waste (E-Waste) while replacing the old IT equipment across all Inland Revenue Services (IRS) offices across the country. This activity of replacement of IT equipment cannot be avoided by the project as it is critical to enhancing and improving efficiency of tax collection and improving the service delivery of the FBR. The client will undertake an environmental and social assessment which will determine the potential risks associated with e-waste and propose appropriate management measures in accordance to the mitigation hierarchy. An e-waste management plan will be developed by the client, following national law and regulations, and Good International Industrial Practices (GIIP) which are consistent with the EHSGs to dispose the E-waste. The client will implement EWMP throughout the project life cycle. In case of lack of capacity, FBR can recruit reputable and legitimate licensed contractor(s), certified by the relevant environmental protection agencies to assist in implementation of the EWMP.

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

Environmental and social assessment under ESS1 will evaluate and establish applicability of this Standard to the Project. There can be potential risks to communities' health and safety, due to ineffective disposal of e-waste generated by the project.

### **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 Appraisal stage.

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways**

No

The project activities does not trigger this policy.

**OP 7.60 Projects in Disputed Areas**

No

The project activities does not trigger this policy

**III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)**

DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED	TIMELINE
<b>ESS 1 Assessment and Management of Environmental and Social Risks and Impacts</b>	
FBR will conduct an Environment and Social Assessment (ESA) to develop an E-Waste Management Plan and a Social Management Framework to be endorsed and approved by the World Bank.	07/2019
FBR will carry out environmental and social assessment to identify and assess the environmental and social risks and impacts of the Project and suggest appropriate mitigation measures under ESS1 and ESS3 prepare E waste management plan, and relevance to other ESS specifically ESS4 Community Health and Safety will also be reviewed. The ESA will also include the Social Exclusion and Conflict Analysis. ESA will result in all necessary plans, such as ESMP, EWMP, OHS, GRM, training plan, etc.	07/2019

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Develop and implement an Inclusive E-Waste Management Plan and a Social Management Framework.	07/2019
<b>ESS 10 Stakeholder Engagement and Information Disclosure</b>	
Prepare and disclose a Stakeholder Engagement Plan	04/2019
PROJECT GRIEVANCE MECHANISM: Develop and operationalize grievance redressal mechanism as per requirements of ESS10.	06/2019
<b>ESS 2 Labor and Working Conditions</b>	
Develop labor management procedures as per requirements of ESS2 and Pakistan Labor Laws.	06/2019
Develop and maintain a grievance redressal mechanism for Project workers as per guidance of ESS2	06/2019
under the ESIA the ESMP of E Waste Management plan will develop and implement occupational, health and safety (OHS) measures. As part of the OHS measures, define and setup measures for emergency preparedness and response.	07/2019
Design and implement a training program for all Project Workers to enhance awareness of E&S risks associated with the Project and mitigation measures suggested in all safeguards instruments.	07/2019
<b>ESS 3 Resource Efficiency and Pollution Prevention and Management</b>	
As a part of ESA the ESMP consisted of E Waste Management Plan (EWMP) will be developed and to be implemented throughout entire project duration. This EWMP will adopt GIIP as per ESS3 guidance notes and ESHG.	07/2019
<b>ESS 4 Community Health and Safety</b>	
ESA and EWMP will report on relevance of ESS4, and accordingly an instrument will be prepared.	07/2019
<b>ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement</b>	
<b>ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources</b>	
ESA and EWMP will report on relevance of ESS6, and accordingly an instrument will be prepared.	07/2019
<b>ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities</b>	
<b>ESS 8 Cultural Heritage</b>	
<b>ESS 9 Financial Intermediaries</b>	



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

**Is this project being prepared for use of Borrower Framework?**

No

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

FBR will follow World Bank guidelines to manage the environmental and social risks associated with the Project as described in the ESF and in the relevant ESS as identified under. ESCP will be the binding and guiding document for the client. There are applicable federal and provincial labor related rules, regulations and procedures but these are not as comprehensive, nor materially consistent with the ESF.

**IV. CONTACT POINTS**

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**Borrower/Client/Recipient**

Borrower: Economic Affairs Division

**Implementing Agency(ies)**

Implementing Agency: Federal Board of Revenue

**V. FOR MORE INFORMATION CONTACT**

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## **VI. APPROVAL**

Task Team Leader(s):	Clelia Kalliopi Helena Rontoyanni, Muhammad Waheed
Safeguards Advisor ESSA	David Seth Warren (SAESSA) Concurred on 24-Apr-2019 at 14:47:13