THE WORLD BANK

ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT (ESSA)

FOR THE

KHYBER PAKHTUNKHWA REVENUE MOBILIZATION AND PUBLIC RESOURCE MANAGEMENT (KPRMPRM)

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List of Acronyms

BOR	Board of Revenue
FD	Finance Department
EA	Environmental Assessment
ETNCD	Excise, Taxation and Narcotics Control Department
ESSA	Environmental and Social Systems Assessment
E&S	Environmental and Social
GPP	Governance and Policy Project
GRM	Grievance Redressal Mechanism
GRS	Grievance Redress Service
GoKP	Government of Khyber Pakhtunkhwa
IPF	Investment Project Financing
KP	Khyber Pakhtunkhwa
KP EPA	Khyber Pakhtunkhwa Environmental Protection Agency
KPRA	Khyber Pakhtunkhwa Revenue Authority
LGE & RDD	Local Government, Elections and Rural Development Department
OBB	Objectives Based Budgeting
PAP	Program Action Plan
PAPs	Project affected Peoples
PCRs	Physical Cultural Resources
P&DD	Planning and Development Department
PCSW	Provincial Commission on Status of Women
RTI	Right to Information
RTS	Right to Services
TA	Technical Assistance
ToR	Terms of Reference
WSSP	Water and Sanitation Services Peshawar

EXECUTIVE SUMMARY

Introduction

1.   This Environmental and Social Systems Assessment (ESSA) has been prepared by a World Bank team (hereafter ESSA Team) for the proposed Khyber Pakhtunkhwa Revenue Mobilization And Public Resource Management (KPRMPRM), which will be supported by the World Bank's Program for Results (PforR) financing instrument.   In accordance with the requirements of the World Bank Policy Program-for-Results Financing (PforR Policy), PforRs rely on country-level systems for the management of environmental and social effects.[1]

2.   World Bank staff prepared this ESSA to: (i) identify the Program's environmental and social effects, (ii) assess the legal and policy framework for environmental and social management, including a review of relevant legislation, rules, procedures, and institutional responsibilities that are being used by the Program; (iii) assess the capacity to implement requirements under the system; and (iv) recommend specific actions to address gaps in the program's system and implementation capacity. Through this process, the ESSA Team assessed the extent to which the Program's environmental and social management systems are consistent with six core environmental and social principles (hereafter Core Principles) contained in the PforR Policy and corresponding Key Planning Elements.

3.   This ESSA report is organized into the following five sections:

  I.   **Introduction**: This includes a description of the ESSA's purpose and objections summarizes the methodology used for the ESSA.
 II.   **Program Description and Potential Environmental and Social Effects**: This section describes program and its context, including the program's scope, the Program Development Objective (PDO), and key results areas. The ESSA describes the actions that the program will support and the environmental and social effects that such actions are likely to produce.
III.   **Assessment of Environmental and Social Management Capacity**: This section includes a summary assessment of the adequacy and consistency of the program's environmental and social management systems and related implementation capacity against the Core Principles and Key Planning Elements. (A more in-depth description of the program's environmental and social management systems and implementation capacity are included in Annex 2.)
 IV.   **Consultations and Disclosure**: This section describes the key formal and informal consultations undertaken as part of the ESSA process, important input and recommendations received, and how and when the ESSA was disclosed.
  V.   **Recommended Actions**: This section lists the actions that the ESSA Team recommends be undertaken to addressing the system and capacity gaps and shortcomings identified in Section III, which are grouped into two categories: (a) those that have been mainstreamed into program design and (b) those that are to be included in the Program Action Plan (PAP).

Program Description and Potential Environmental and Social Effects

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1 "Effects" is used throughout this document to refer collectively to benefits, impacts, and risks. The term "benefits" refers to positive consequences and the term "impacts" refers to adverse or negative consequences of actions taken. Risk is used to denote the potential for loss or damage of something of environmental and social value. Risk is typically expressed in terms of probability and severity of consequences occurring in the future.

4. The Government of KP has developed and has been implementing a Public Financial Management (PFM) Reform Strategy for the period 2017-2020 with the overall objective of putting in place a robust PFM system that ensures financial compliance, facilitates prioritization amongst competing claims on scarce resources, encourages efficient delivery of public services and achieve the ultimate goal of efficient, effective and accountable use of public resources. The KP PFM Reform Strategy takes an integrated approach to PFM reforms that covers the whole PFM cycle at both the provincial and local government levels. The Strategy is organized around six policy objectives: (i) resource mobilization; (ii) asset and liability management; (iii) accountability for results; (iv) policy-driven planning and budgeting; (v) comprehensive, credible, and transparent budget; and (vi) predictability and control in budget execution.

5. The World Bank is currently working with the Government of KP to prepare a program titled **Khyber Pakhtunkhwa Revenue Mobilization And Public Resource Management** (**KPRMPRM**), which will use the "Program for Results (PforR)" financing instrument as lending tool for investment, in accordance with the Bank's PforR Policy. The proposed PforR operation will support the implementation of the KP Government's PFM Reform Strategy with an IDA credit of US$ 100 million.

6. **The Program Development Objective is** *to increase collection of KP's own source revenue and improve the management of public resources*. The Program will fund expenditures of the main government entities responsible for implementing the PFM Reform Strategy. The proposed PforR will support selected reforms under the six policy objectives of the PFM Reform Strategy. The selection of the areas of the PFM Reform Strategy that this PforR will support is based on the GoKP own prioritization, the potential for high impact, and the Bank's own potential to add the most value in terms of technical expertise and sharing of international good practices in revenue mobilization and PFM. The PforR instrument innovatively links the disbursement of funds directly to the delivery of defined results and strengthens government program systems.

7. The proposed PforR will seek to achieve its PDO through activities grouped under the following two key results areas:

Results Area 1: **Efficient revenue mobilization supports objective D of the PFM Reform Strategy (Revenue Mobilization) with a focus on both tax and non-tax sources of revenue**

8. Under this results area, the Program will seek an increase in own source revenue (tax and non-tax) through the following main outcomes: (a) Expanding the tax base without imposing new taxes or raising tax rates, reflecting the Broad Base, Low Rate principle, (b) Enhancing the institutional capacity for tax collection, by specifically working with the three tax authorities, by enhancing business intelligence using ICT, (c) Facilitate taxpayer voluntary compliance by making it convenient for taxpayers to discharge their legal obligations and reduce the costs involved in tax compliance, and (d) Mobilize non-tax revenue to increase the yield of existing sources of non-tax revenues and tap into new sources that could support a sustained growth of provincial revenues.

Results Area 2: **Effective public resource Management supports policy objectives A, B, C, E and F of the PFM Reform Strategy**.

9. Under this results area, the Program will to improve the management of public resources, notably budget funds and dedicated funds such as the province's Pension Fund and Hydel Development Fund. Where

relevant, the Program will need to include the (former) FATA new districts and local government bodies as constituted in the interventions and results sought.[2] Key actions to be supported under this results area include (a) Improving cash management by ensuring consolidation of government cash in the Treasury Single Account, which will enable the GoKP to monitor its cash position in real time (b) Increase accountability in local governments' expenditure to foster the effectiveness and accountability of local governments spending through the expansion of NFMIS to Tehsil Municipal Administrations (TMAs), (c) Strengthen performance orientation of departments and budgets by building on the GoKP's preliminary efforts to introduce OBB in service delivery sectors, (d) Strengthening investment planning, appraisal and ADP expenditure reporting, and (e) Increase transparency and capacity in the management of financial assets.

10. A summary of the DLI's along with respective Result Areas is reflected in the table below:

Disbursement Linked Indicators (DLIs)	**Area of intervention**	**IDA allocation (US$)**
Results Area 1: Efficient Revenue Mobilization		
DLI 1: GSTS taxpayer filing compliance	Taxpayer compliance	25
DLI 2: Database integration in tax administration	Capacity for tax collection	10
DLI 3: UIPT surveys and updated property valuations	Capacity for tax collection	15
Results Area 2: Effective Management of Public Resources		
DLI 4: Cash management based on daily consolidation of cash balances and regular cash plans	Cash management	20
DLI 5: ADP funds allocated to unapproved projects	Public investment management	10
DLI 6: Decentralization of NFMIS to TMAs	Local Government	20

Social and Environmental Effects

11. Consistent with the requirements of the Bank PforR Policy, the proposed PforR operation does not support activities that pose high social or environmental risks. The activities to be supported by the Program are likely to provide significant social benefits and pose minor adverse environmental and social impacts and risks. Hence the ESSA finds the Program suitable for a P4R Operation.

12. In terms of environmental benefits, processes and transactions under this results area will become paperless and will hence reduce carbon footprint associated with paper production (cutting trees, use of chemicals, energy, etc.). The Program e-based activities will also provide the opportunity for concerned implementing agencies to internalize e-waste management procedures. They will also provide an opportunity to bring to the attention of decision makers the need for formulating pertinent national policy regulations and procedures to satisfy related international environmental obligations and donor requirements.

13. Low environmental risk is expected and is mainly attributed to the e-waste associated with the end of use of the procured IT equipment (computers, printers, scanners, modems, routers) used by KPRA tax

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2 The former FATA consisted of six (6) Frontier Regions that have been merged as subdivisions of KP districts and seven (7) tribal Agencies (now new districts) for which local elections are to be held by to elect local government bodies at the district, tehsil and union levels by October 2018.

facilitation centers and other implementing agencies (FD, ETNCD, BoR, P&DD). However, Lack of nation environmental policy regulations pertinent to e-waste management pose a serious challenge in this respect.

14.   In terms of social benefits, the Program will result in much desired increased fiscal space to improve service delivery across the province. Currently KP Is highly reliant on Federal Government for revenue, and most budgetary planning (especially for development expenditures) is done on the basis of estimated federal receipts. Incremental planning is based on percentages of actual transfers rather than on actual planning and predictions based on revenue receipts. Increase in taxpayer compliance without increasing the tax burden, improved valuation of urban properties for taxation and using public land for generating revenue will all result in improved own source revenues (OSR) for the province to deliver basic services to its citizens. Planned cash management across treasury accounts will improve budgetary allocations as the managers will have an estimate of unspent funds at any given time. Extending NFMIS to the municipal level will result in efficiency at the Tehsil levels since they will be able to make their own re-appropriations as they deem fit. Minor social risks are also associated with the supported activities, namely the following: (a) Low income groups can be on a risk of double taxation from increased GST compliance, and direct taxes on their salary incomes, (b) ICT based tax collection and receipt systems pose a risk of exclusion of citizens with low IT knowledge and literacy, (c) UIPT revaluations can disproportionately affect slum dwellers and hawkers in commercial areas, (d) Generating revenue from public lands under the Holding Company established within this Program may have a downstream impact of physically and/or economically displacing encroachers on public lands (especially slum dwellers)[3], and (e) conflicts within departments and civil administration, which can hamper service delivery and stall progress of the Program.

15.   These risks are manageable if the recommended actions to strengthen the environmental and social management systems and implementation capacity described below are taken.

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[3] Not a possibility within the life of this Program, but is identified and highlighted as a downstream impact of operations of the Public Land Holding Company to be established within KPRMPRM.

Assessment of Environmental and Social Management Systems and Implementation Capacity

16.   This section provides a summary assessment of whether the program's environmental and social management systems are adequate for and consistent with the core principles and key planning elements contained in the PforR Policy, as relevant to the Program. It also assesses whether the involved institutions have the requisite capacity to implement these systems' requirements. An in-depth description and analysis of the Program's systems and implementation capacity are found in Annex 2.

17.   The environmental and social management under the Program will be largely based on the existing legal, regulatory, and institutional system in Pakistan and KP in particular.

18.   The applicable environmental and social management systems are generally found to be adequate to address underlying environmental and social risks. For the environmental risks, the national and provincial environmental protection aspects are governed by Pakistan Environmental Protection Act (PEPA), 1997, and Khyber Pakhtunkhwa Environmental Protection Act 2014 (KPEPA 2014); whereby the noteworthy strengths, from a social risks perspective, are, the current Local Government Act and the resultant System in place, Province wide online Grievances Redressal System, Right to Information Act 2014, Provincial Ombudsman Office, Right to Services Act 2014, Social Protection Unit, Provincial Commission on the Status of Women, Women Empowerment Policy, Tax Facilitation Centers, etc. The ESSA did uncover gaps in some areas, as summarized below, which will need to be addressed through the Program Action Plan (PAP).

19.   The main gaps uncovered by the ESSA are as follows:

(a) **No specific legal provisions are available for e-waste management.** Currently, regulations on e-waste management is lacking in the province and in the country**.** Furthermore, the implementing agencies do not have any rules or procedures for the safe disposal of end of life IT equipment. Also, the IAs have no contractual policy for vendors buy-back of the procured IT equipment.

(b) **Inadequate legal and regulatory system for land acquisition and resettlement**: Land Acquisition Act 1894 does not allow compensations for any economic displacement of encroachers and titles. This is a major gap between WB requirements and the country systems.

(c) **A procedural gap in planning and development of Projects vis-à-vis vulnerable people**: Government departments are not required under operational procedures to consult vulnerable groups (low income, slum dwellers, landless, ethnic and religious minorities, elderly, disabled, women, etc.) for their inputs while designing and developing y interventions that can have perceivable impacts on them, unless they are large scale infrastructure projects. Even in those cases, consultations are cursory and more procedural than participatory, feedback seeking, for design improvements.

(d) **Adequate internal institutional dispute resolution system was not found:** There were no formal platforms reported for resolving conflicts within departments, or for complaints government servants have against their own departmental hierarchy. A complaint system for government servants which would ensure tolerance, encourage complains filing, and have no repercussions on complainant due to filing of complains, is absent.

(e) **Lack of Integration within multiple GRM Systems:** There are multiple GRM's operational with the administrative set up, with a central online Provincial GRM housed under the Chief Secretary's Office. However, this central platform is not integrated with the individual departmental level GRMs which

leads to increased efforts to man both systems with limited human resources. Hence the risk of increased response and resolution time for a particular complaint increases many fold.

Disclosure and Consultations

20. This draft ESSA is being disclosed in-country and on the World Bank's external website, prior to formal appraisal of the relevant PforR, to serve as the basis for discussion and receipt of formal comments. A public multi-stakeholder workshop on this ESSA and the PforR was held on 23rd October 2018 at Peshawar. Another round of consultations with the implementing agencies and other government departments was held on 18th October. Following incorporation of the feedback received from these workshops and other sources, the revised ESSA will be disclosed in-country and on the World Bank's external website, prior to Board consideration.

21. The ESSA Team received key inputs and recommendations concerning the following issues:

i. *E-waste and Implementing Agencies' Procedures and Systems to Manage E-waste:* The participants were informed that the procured new IT equipment to be used for the implementation of the Program is expected to result in the generation of electronic waste upon end of life service. While the above-generated e-waste could be insignificant, the implementation of future similar government programs and the expected increase in demand for e-equipment, could potentially result in more e-waste. This would warrant the need for safe management and disposal of such waste to avoid associated negative impacts on environment and human health. All stakeholders agreed that managing e-waste in an environmentally sound manner would help Pakistan protect its own population health and environment. In the absence of e-waste specific national policies, it was agreed that the IAs develop own internal procedures based on pertinent best international practices and health and safety guidelines for handling resultant e-waste. It was also agreed that the IAs maintain records and inventory of discarded IT equipment and forward these records regularly to EPA to include in the province e-waste database to support the development of pertinent regulations. Alternatively, it was also suggested that such data could be sent to the KP IT board, which would serve as an interface between the IAs and EPA- KP.

ii. *Vulnerable Groups and Taxation:* Various participants raised their concern on issues of double/multiple taxation regimes disproportionately affecting the low income poor women, elderly, minorities and labor. Recently merged FATA and PATA districts remained a focus as participants advised caution on roping these communities into the tax net. A phased approach was advised. Rent seeking by tax authorities especially from illiterate, street hawkers, was highlighted. Risk and vulnerability assessments were advised in order to establish correct baselines on numbers of vulnerable groups, their geographical presence and tax implications on these groups. Exemptions for the same were advised.

iii. *Small Businesses:* Small businesses were vocal about indiscriminate taxation where some of them end up paying six different taxes on multiple accounts. Rent seeking and corruption was also reported by the representatives from such trades and businesses. Selective tax targeting (urban, central areas getting more attention by tax authorities than remote, lesser visited areas) was also reported. Lack of consultations, engagements by tax authorities, and the resultant tax deficit was highlighted as a cause of non-compliance especially on GST. Lack of information on total tax revenue generation, allocation and utilization was reported as another impediment for improved compliance. Improved communication campaigns, citizens forum on taxes, kiosks in major commercial areas explaining the taxation regime and utilization were some ways suggested to improve the trust deficit. Additionally, a flat rate of tax was proposed for smaller businesses based on size and assets, along with incentives/rebates for the same in order to join such a tax regime.

iv. *Gender:* Women Chamber of Commerce representatives were vocal about impediments to women entrepreneurs in joining the productive, formal economy. This was mainly attributed to lack of awareness and knowledge of women in rural areas (involved in cottage industries, etc.) of avenues towards productive, formal business regimes. Illiteracy and lack of skill improvement were also cited as problems impeding women-based enterprises to become effective businesses, to contribute to improved revenues. The Chamber demanded a special policy on GST for women entrepreneurs/service providers, describing many of them as vulnerable (widows, single mothers, middle aged unmarried women). Moreover, if the number of taxpayers justify, dedicated TFC's for women should be established (sex disaggregated taxpayers data will be required for this).

v. *Interdepartmental Disputes and Multiple GRM:* Participants validated the ESSA findings on lack of formal platforms for resolving conflicts within departments, or for complaints government servants have against their own departmental hierarchy. A complaint mechanism is absent within the provincial government system which would ensure tolerance, encourage complains filing, without repercussions on complainant due to filing of complains. Participants also agreed that multiple GRM's are operational within the administrative set up, with almost 10 to 11 systems established across departments. However, these are not integrated to the central platform manned by the Chief Secretary's Office. An initiative is under way under the auspices of the Governance and Policy Project of GoKP, supported by the World Bank, which aims to integrate these GRM's into a single system.

22. These contributed to the improvement and finalization of the draft ESSA, the design of the Program Action Plan (PAP), and refinement of ESSA recommendations.

Inputs to the Program Action Plan (PAP)

23. To address the institutional and capacity gaps identified through the ESSA process, the ESSA Team offers the following recommendations, which are Inputs to the PAP:

(a) **Recommendation 1:** Conduct social risk assessment based on inclusion and equity for PATA and of former FATA districts

(b) **Recommendation 2:** Assess social and environmental practices, risks and impacts while assessing revenue potential of MMD

(c) **Recommendation 3:** Ensure each TFC has at least one female staff and designated female sanitation facility

(d) **Recommendation 4:** Implement mechanism for proper management of E-Waste

(e) **Recommendation 5:** Conduct a gender analysis of existing tax and property mechanisms to examine whether they are progressive or regressive on women

24. Section (a) provides more detailed descriptions of the scope of these recommendations and provides indicative costs and timetables for implementation. If these inputs to the PAP are successfully implemented, the overall environmental and social management system for the program will have been considerably strengthened and set on a more sustainable path. This is also true for KP government functioning as a whole, since the improvements in environmental and social management systems and capacity are likely to extend beyond the life of the Program.

I. INTRODUCTION

A. Environmental and Social Systems Assessment: Purpose and Objectives

1. This Environmental and Social Systems Assessment (ESSA) has been prepared by the World Bank ESSA Team for the proposed Khyber Pakhtunkhwa Revenue Mobilization And Public Resource Management (KPRMPRM), which will be supported by the World Bank's Program for Results (PforR) financing instrument. In accordance with the requirements of the World Bank Policy Program-for-Results Financing (PforR Policy), PforRs rely on country-level systems for the management of environmental and social effects. The PforR Policy requires that the Bank conduct a comprehensive ESSA to assess the degree to which the relevant PforR Program's systems promote environmental and social sustainability and to ensure that effective measures are in place to identify, avoid, minimize, or mitigate adverse environmental, health, safety, and social impacts. Through the ESSA process, the Bank ESSA Team develops recommendations to enhance environmental and social management within the program, which are included in the overall management action plan.

2. The main purposes of this ESSA is to: (i) identify the Program's environmental and social effects, (ii) assess the legal and policy framework for environmental and social management, including a review of relevant legislation, rules, procedures, and institutional responsibilities that are being used by the Program; (iii) assess the implementing institutional capacity and performance to date to manage potential adverse environmental and social issues; and (iv) recommend specific actions to address gaps in the program's environmental and social management system, including with regard to the policy and legal framework and implementation capacity.

3. This ESSA assesses or considers the extent to which the Program's environmental and social management systems are adequate for and consistent with six core environmental and social principles contained in paragraph of Section III of the PforR Policy (hereafter, Core Principles), as may be applicable or relevant under PforR circumstances. The Core Principles are listed below. They are further given greater defined through corresponding Key Planning Elements that are included under each Core Principle in Section III.

(a) **Core Principle 1: *Environmental and Social Management***: Environmental and social management procedures and processes are designed to (a) promote environmental and social sustainability in program design, (b) avoid, minimize, or mitigate against adverse impacts; and (c) promote informed decision making relating to a program's environmental and social effects

(b) **Core Principle 2: *Natural Habitats and Physical Cultural Resources***: Environmental and social management procedures and processes are designed to avoid, minimize, and mitigate any adverse effects (on natural habitats and physical and cultural resources) resulting from the program.

(c) **Core Principle 3: *Public and Worker Safety***: Program procedures ensure adequate measures to protect public and worker safety against the potential risks associated with (a) construction and/or operations of facilities or other operational practices developed or promoted under the program and (b) exposure to toxic chemicals, hazardous wastes, and otherwise dangerous materials

(d) **Core Principle 4: *Land Acquisition***: Land acquisition and loss of access to natural resources are managed in a way that avoids or minimizes displacement, and affected people are assisted in improving, or at least restoring, their livelihoods and living standards.

(e) **Core Principle 5: *Indigenous Peoples and Vulnerable Groups***: Due consideration is given to cultural appropriateness of, and equitable access to, program benefits, giving special attention to the rights and interests of indigenous peoples and to the needs or concerns of vulnerable groups.

(f) **Core Principle 6:** *Social Conflict:* Avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

4. An additional purpose of this ESSA is to inform decision making by the relevant authorities in the borrower country and to aid the Bank's internal review and decision process associated with the KPRMPRM. The findings, conclusions and opinions expressed in this document are those of the World Bank. The recommended actions that flow from this analysis have been discussed and agreed with KP government counterparts and will become legally binding agreements under the conditions of the new loan.

B. **ESSA Methodology**

5. The World Bank undertook the following actions as part of the assessment from March to October 2018: (a) a comprehensive review of government policies, legal frameworks and program documents, and other assessments of KP government's environmental and social management systems (b) interviews and consultations were done with relevant experts and officials from Finance Department (FD); Planning & Development Department (P&DD); KP Revenue Authority (KPRA), Excise, Taxation and Narcotics Control Department (ETNCD); Local Government, Elections and Rural Development Department (LGE & RDD), and Board of Revenue (BoR) of the GoKP; and EPA and KP Environment Department.

6. This report was prepared by World Bank staff and consultants through a combination of reviews of existing Program materials and available technical literature, interviews with government staff, and consultations with key stakeholders and experts. Findings of the assessment will be used in the formulation of an overall Program Action Plan (PAP) with key measures to improve environmental and social management outcomes of the Program. The findings, conclusions, and opinions expressed in the ESSA document are those of the World Bank. Recommendations contained in the analysis were presented and discussed during the consultation workshop with the concerned Program implementing agencies before finalization and disclosure of the ESSA.

7. The ESSA review process seeks to describe and assess the systems for managing environmental and social effects of a proposed program. Between March and October 2018, the World Bank drew on a wide range of data, sources, and inputs during the ESSA review process, including the following actions:

(a) **Assessment of the environmental and social effects of the program**: The ESSA Team assessed the potential for the program to cause adverse environmental and social effects, either due to its design and program components or due to gaps in Program systems.

(b) **Comprehensive desk review of policies, legal framework, program documents, and other assessments of environmental and social management systems**: The review examined the set of national policy and legal requirements related to environment and social management associated with the activities described under the Program results areas. The review also examined technical and supervision documents from previous and ongoing World Bank projects and programs whereby ESSA's were produced (Punjab Cities, Federal Public Financial Management, Punjab Green Development Program, etc.), since this is the first ever ESSA for KP.

(c) **Institutional analysis**: An institutional analysis was carried out to identify the roles, responsibilities, and structure of the relevant institutions responsible for implementing the KPRMPRM funded activities, including coordination between different entities at the national, provisional and local levels. The assessment of the capacity of key institutions to implement required environmental and social management actions was assessed. An important input for this assessment was an evaluation

of these institutions' previous track record in management such risks in the context of previous projects and programs.

(d) **Consultations and Interviews**: interviews and consultations were done with relevant experts and officials from Finance Department (FD); Planning & Development Department (P&DD); KP Revenue Authority, Excise, Taxation and Narcotics Control Department (ETNCD); and Board of Revenue (BoR) of the GoKP; Local Government, Elections and Rural Development Department (LGE & RDD); the Local Government Department and KP Environmental Protection Agency

8.   This draft ESSA has been updated based on the feedback received from stakeholders and experts prior to finalization of the program. The final ESSA will be disclosed prior to World Bank Board consideration of the Program. It will be updated after Board approval, if needed, to reflect any important changes agreed by the Board to the Program that affect environmental and social issues.

II. PROGRAM DESCRIPTION AND POTENTIAL ENVIRONMENTAL AND SOCIAL EFFECTS

A. Program Context

9.   Pakistan is a federal state with four provinces. The 18th Constitutional Amendment—the most recent far reaching constitutional changes in the structure of public administration in Pakistan--increased the autonomy of provinces. The 18th Amendment abolished the Concurrent Legislative List (CLL), devolving nearly all 47 responsibilities to the provinces. The provinces gained nearly complete control over public services within their jurisdiction and local government institutions. The Amendment also expanded the taxation powers of the provinces to include the General Sales Tax on Services (GSTS). In addition, taxes on agricultural income, immovable property, estate and inheritance, and zakat and usher (religious taxes) were assigned to the provinces. Finally, the Amendment also underpinned the 7th Award of the National Finance Commission (NFC) which increased the share of provinces' financing to 57.5 percent of the divisible pool of revenues.

10.   Khyber Pakhtunkhwa (KP), with a population of 30.5 million, is one of Pakistan's smaller provinces. With about 81 percent of its population in rural areas, KP has traditionally been among the poorest and least developed parts of Pakistan. In recent years however, workers' remittances and the services sector have helped accelerate economic growth, which has contributed to substantial poverty reduction. According to the 2016 HIES, KP is currently one of two provinces (along with Punjab) with the lowest poverty incidence in the country: one in five people in KP live below the poverty line. Despite these positive trends, human development outcomes in KP remain below the national average with large disparities between urban and rural areas—and between genders.

11.   The recently approved merger of the Federally Administered Tribal Areas (FATA) of Pakistan with KP will have important implications nationwide and for the development of the province. The Pakistan National Assembly approved a constitutional amendment authorizing the integration of FATA – the poorest region in Pakistan– into the larger KP on May 24th, 2018. FATA's integration poses serious development challenges for the province, given the region's legacy of limited government presence. Successfully integrating the former FATA into KP will take time and require a comprehensive plan to extend KP's legal and institutional framework to the region.

12.   The Government of KP has shown strong commitment to PFM reforms. The province's Integrated Development Strategy 2015-2018 underscores the priority of increasing KP's Own-Source Revenues to finance investments in infrastructure and public services, especially education, health, and water supply and sanitation. To this end, the GoKP has adopted a Public Financial Management (PFM) Reform Strategy for the period 2017-2020 with the overall objective of putting in place a robust PFM system that ensures financial compliance, facilitates prioritization amongst competing claims on scarce resources, encourages efficient delivery of public services and achieve the ultimate goal of efficient, effective and accountable use of public resources.

B. The Government's Program

13.   The KP PFM Reform Strategy covers the whole PFM cycle at the provincial and local government levels. The Strategy is organized around six policy objectives: resource mobilization; asset and liability management; accountability for results; policy-driven planning and budgeting; comprehensive, credible, and transparent budget; and predictability and control in budget execution. The GoKP has established a PFM Reforms Oversight Committee headed by the Minister of Finance that acts as a Steering Committee to

provide high level leadership for the implementation of the PFM Reform Strategy. The Secretary Finance chairs the sub-committee on inter-department coordination and oversight.

14.   The proposed PforR will support selected reforms under the six policy objectives of the PFM Reform Strategy. The Strategy's reform areas and targeted KPIs under each objective as well as the related PforR Program boundaries are listed in Table 1 below. The selection of the areas of the PFM Reform Strategy that the PforR will support (in italics) is based on the GoKP own prioritization, the potential for high impact, and the Bank's own potential to add the most value in terms of technical expertise and sharing of international good practices in revenue mobilization and PFM.

Table 1: The Government Program and related PforR boundaries

Government program: PFM Reform Strategy 2017-2020	Reform Areas as stated in PFM Reform Strategy	Key performance Indicators in PFM Strategy	PforR Program Boundary
Objective A: Policy driven planning and budgeting	• A-1: *Formulation of policies, strategies, and action plans* • A-2: *Integrated multi-year budgeting* • A-3: *Legal and regulatory framework* • A-4: *Effective inter-governmental fiscal relations* • A-5: Donor coordination and aid effectiveness	• Sectoral policies and strategies approved • Alignment of sectoral budgets with policies and strategies • OBB performance benchmarks achieved	• Development of sector investment plans • ADP planning, appraisal, and implementation (incl. minimization of unapproved projects and integration of O&M costs in recurrent budget)
Objective B: Comprehensive, credible and transparent budget	• B-1: *Budget transparency and accessibility* • B-2: *Business Process Reengineering and expansion of IFMIS for optimal utilization* • B-3: Roll-out of Chart of Accounts (CoA) and *IFMIS to local governments* • B-4: Institutional framework for aid management	• Improvement in open Budget Index • E-budgeting coverage through IFMIS • IFMIS coverage to LGs	• NFMIS extension to Tehsil Municipal Authorities (TMAs) • Registration of commitments and detailed expenditures in NFMIS
Objective C: Predictability and control in budget execution	• C-1: *Effective controls for non-salary expenditure* • C-2: Integrated HR and payroll management • C-3: Strengthening procurement regime • C-4: *Banking and Treasury reforms* • C-5: *Improvements in expenditure tracking and reporting*	• Efficiency savings yielded by effective expenditure controls • Aggregate expenditure outturn	• Improved management of development spending • Cash management within TSA
Objective D: Resource mobilization	• D-1: *Resource Mobilization Strategy* • D-2: *Tax policy and administration reform* • D-3: Optimization of local revenue base	• Increase in provincial own source revenue over baseline	• Expansion of tax base • Tax collection capacity • Automation and database integration and linkages • Taxpayer facilitation • Revenue generation from government properties
Objective E: Asset and Liability Management	• E-1: *Management of assets and investments* • E-2: *Debt management*	• Improvement in DeMPA score over baseline	• Mapping and valuation of government real estate assets • Risk management of KP Funds
Objective F: Accountability for Results	• F-1: Strengthening of legislative oversight • F-2: *Revitalization of monitoring & evaluation system* • F-3: Enhance coverage and quality of external audit • F-4: *Internal audit*	• Coverage and scope of internal audit • Coverage of budget/ expenditure scrutiny by legislative body • Coverage of performance audit	• Internal audit in Program implementing entities • Operationalize OBB with measurable KPIs in select sectors and departments with reporting on beneficiaries

C. Bank Financed PforR Scope, Objectives, and Key Results Areas

15. In response to the government's request for support, the World Bank has prepared **Khyber Pakhtunkhwa Revenue Mobilization And Public Resource Management** (**KPRMPRM**) to support/enhance the aims of KP PFM Reform Strategy. The Bank and Government of KP agreed to develop and support KPRMPRM using the World Bank's PforR instrument. The KPRMPRM will emphasize on efficient revenue mobilization and effective public resource management in KP by working in two results area.

16. The proposed Program is a hybrid with two components of activities that support the GoKP to achieve the key result areas of the Program: (i) a performance-based financing component for the GoKP which will be implemented as a PforR; and (ii) a technical assistance/capacity building component to support improvements in business processes, which will be implemented as an IPF.

17. The Program will support the implementation of a selected reforms from the PFM Strategy (2017-2020). The Program covers key reforms that are critical to achieve the GoKP's PFM reform agenda and reflect the key priority of the new administration, namely revenue mobilization. The Program will support implementation of the PFM Strategy in the period 2018- to 2023. The Government expenditure program is estimated at US$235 million (70 percent). The World Bank's PforR will provide financing of up to US$ 100 million (30 percent).

18. The **Program Development Objective** (PDO) of the proposed KPRMPRM is *"to increase KP's own source revenue and improve the management of public resources for better service delivery."*

19. The Program includes two results areas, which are summarized below with their relevant PDO indicators.

(a) **Results Area 1: Efficient revenue mobilization supports objective D of the PFM Reform Strategy (Revenue Mobilization) with a focus on both tax and non-tax sources of revenue**. This Result Area will support objective D of the PFM Reform Strategy (Revenue Mobilization) with a focus on both tax and non-tax sources of revenue. This result area will seek an increase in own source revenue (tax and non-tax) through the following main outcomes: (i) expand the tax base through a combination of measures to increase tax compliance, i.e. increasing the number of taxpayers who pay their tax liabilities; reducing tax exemptions; and expanding the range of taxable economic activities and assets (ii) enhance institutional capacity for tax collection by integrating data and processes in the three provincial tax authorities (iii) facilitate taxpayer voluntary compliance by making it more convenient for taxpayers to discharge their legal obligations and reduce the costs involved in tax compliance (iv) mobilize non-tax revenues through technical support to the provincial Minerals Department to undertake a revenue potential assessment with targeted recommendations.

(b) **Results Area 2**: **Effective public resource Management supports policy objectives A, B, C, E and F of the PFM Reform Strategy**. This Result Area will support policy objectives A, B, C, E and F of the PFM Reform Strategy. The objective is to improve the management of public resources, notably budget funds and dedicated funds such as the province's Pension Fund and Hydel Development Fund. This results area will target the following main outcomes: (i) Improve cash management through consolidation of government cash balances in the Treasury Single Account (TSA); (ii) Increase accountability in local governments' expenditures through the expansion of NFMIS to Tehsil Municipal Administrations (TMAs); (iii) strengthen performance orientation of departments and budgets through the development of relevant KPIs with clear targets, data sources and measuring methodologies for sectors of focus for the OBB, as well as the strengthening of monitoring systems

to assess KPIs achievement; (iv) strengthen investment planning, appraisal and ADP expenditure reporting by aligning public investment planning with government objectives in sectors, integrate planning at the sector level, strengthen project prioritization and appraisal, and improve reporting of development expenditure; and (v) increase transparency and capacity in the management of financial assets by improving management of investment risks and contingent liabilities.

(c) **PDO Level Results Indicators**

20. **Four key results indicators have been selected to measure success in achieving the PDO:**

- PDO Indicator 1: Increase in KP's Own Source tax revenues
- PDO Indicator 2: Amount of cash deposits held by government departments in commercial banks
- PDO Indicator 3: Share of annual ADP funds spent on public investments

(d) **Disbursement Linked Indicators and Verification Protocols**

21. **The Program's proposed DLIs were designed consultatively with the implementing entities and selected stakeholders.** The selected DLIs are intended support continuity in the implementation of key reforms as well as to demonstrate key achievements in the Program's main areas of intervention. Six indicators have been selected as DLIs because they are critical milestones to achieve the PDO and PDO-level indicators and/or to incentivize focus on implementation achievement of targeted results.

22. **The GoKP will appoint a Third-Party Verification Agent (TPVA) to conduct the annual verification of the results reported by the implementing entities.** The TPVA will rely upon desk review of documentation provided by responsible institutions and will conduct field visits where physical verification of evidence is required. The TPVA will also validate the baseline data in the first year.

Disbursement Linked Indicators (DLIs)	Area of intervention	IDA allocation (US$)
Results Area 1: Efficient Revenue Mobilization		
DLI 1: GSTS taxpayer filing compliance	Taxpayer compliance	25
DLI 2: Database integration in tax administration	Capacity for tax collection	10
DLI 3: UIPT surveys and updated property valuations	Capacity for tax collection	15
Results Area 2: Effective Management of Public Resources		
DLI 4: Cash management based on daily consolidation of cash balances and regular cash plans	Cash management	20
DLI 5: ADP funds allocated to unapproved projects	Public investment management	10
DLI 6: Decentralization of the NFMIS to TMAs	Accountability in local governments' expenditures	20

D. **Program Implementation Arrangements**

23. **The FD will have the overall responsibility for Program coordination.** A specially designated team of government officials drawn from various department, the Reform Working Group (RWG) has supported the preparation of this Program and will continue supporting the implementation of the Program. A Program Coordination Unit (PCU) staffed with key technical staff covering financial management, procurement, and monitoring and evaluation will support the FD to manage the day to day operational aspects of the Program. Five implementing entities will be responsible for specific DLIs.

24. **Five implementing entities will be responsible for specific DLIs**:

The **FD** will be responsible for DLI 2 and the IRIs related to the mobilization of tax revenues through tax policy measures; the coordination of measures aimed at the harmonization of processes and integration of databases among the three tax authorities; and the generation of non-tax revenues from the effective management of government-owned real estate assets (results area 1). FD will also be responsible for DLIs 4 and 5 related to cash management and the management of financial assets respectively, as well as the IRI related to the strengthening of OBB practices (results area 2).

The **KPRA** will be responsible for DLI 1 on STS taxpayer filing compliance and related measures including relevant tax administration and taxpayer facilitation measures and outputs and will contribute to DLI 2 (database integration among tax authorities and with third parties).

The **ETNCD** will be responsible for DLI 3 related to the collection of the UIPT and contribute to DLI 2 (results area 1).

The **P&DD** will be responsible for DLI 5 related to the appraisal of ADP projects, and also for the IRIs related to public investment planning (results area 2).

The **Local Government Department** will be responsible for DLI 6 on the decentralization of the NFMIS to the TMAs (results area 2).

25. In addition, the **BoR** will contribute to IRI's related to revenue generation from public properties and the IRI on the consolidation/reduction of tax instruments (results area 1).

26. **For the purposes of Program monitoring, the GoKP and World Bank have agreed on a Results Framework that comprises three PDO indicators and 16 Intermediate Results Indicators.** The Results Framework defines the indicators and the institutional arrangements for data collection. The Finance Department has the overall responsibility and coordinating role in M&E for the PFM Strategy and the Program. The FD and Bank implementation support missions will undertake periodic tests of implementing Ministries' M&E arrangements to verify that adequate systems are in place to generate the information needed for Program reporting.

27. **The PCU will report on the progress towards achieving the results indicators through quarterly progress reports.** These reports will include quarterly progress reports and project monitoring meetings, annual third-party verification of the results achieved and implementation support missions. These reports will utilize data provided in the monthly progress updates/working papers to be produced by the coordination sub-committee headed by Secretary Finance on the implementation of the PFM Reform Strategy and through liaison with the designated focal points for the PforR within each department in the Reform Working Group. The TPVA will validate the achievement of the DLIs annually and submit the annual verification reports to the PCU who will then submit them to the World Bank. The World Bank task team will hold quarterly project monitoring meetings as well as undertake at least bi-annually, implementation support missions to take stock of progress and help resolve implementation bottlenecks and issues.

28. **Six DLIs will be used to measure the achievement of agreed targets and will be the basis for disbursement of Program funds.** The DLIs will be monitored as part of the overall Program results monitoring arrangements by the Finance Department. To ensure independence of the verification process, the FD will contract a third party to support the verification process.

E. Description of Program Activities and Identification of Environmental and Social Effects

29. Consistent with the requirements of the Bank PforR Policy, the proposed PforR operation does not support activities that pose high social or environmental risks. The activities to be supported by the Program are likely to provide substantial social benefits and some environmental benefits and to pose low adverse social and environmental impacts and risks.

30. The Program results chain with respective Result Areas is given in the table below:

Results Area	Activities	Intermediate Indicators/Outputs	Outcomes
1: Efficient revenue mobilization	Automation and simplification of processes such as tax filing and payments; Conduct of risk-based audits of large STS taxpayers; and the establishment of one-stop taxpayer facilitation centers. Existing public buildings will be utilized. No new construction of buildings will be involved.	**DLI 1:** Number of registered taxpayers who filed GSTS taxes in previous year.	% of taxpayers registered with KPRA who filed their returns in the previous fiscal year.
	Establishment of shared Data Warehouse (for automated exchange of taxpayer data (by CNIC/STN) for the KPRA, ETNCD, and BoR; KPRA has automated linkages with at least five third parties (e.g. FBR, NADRA, withholding agents such as commercial banks, telecom and utility companies.	**DLI 2:** Database integration in tax administration	KP tax authorities have access to shared data with links to third parties (accessible with taxpayer CNIC/STN).
	Conduct of UIPT surveys (with GIS mapping of properties), updated valuations of properties and digitization of all property records.	**DLI 3:** UIPT surveys and property valuations	10 cities with updated surveys, valuations and digitized UIPT records.

2: Effective management of public resources	Consolidation of government cash balances in the Treasury Single Account (TSA).	**DLI 4:** Cash management based on daily consolidation of cash balances and regular cash plans; Cash Management Policy notified by FD (year 1)	Monthly cash plans for provincial government departments accounting for provincial government departments (communication and Works; Education; Health; Irrigation) prepared by respective departments and submitted to FD
	Alignment of public investment planning with government objectives in sectors. Inclusion of only approved projects in ADP	**DLI 5:** Reduced share of ADP funds allocated to unapproved projects	% of ADP funds allocated to unapproved projects
	Expansion of NFMIS to Tehsil Municipal Administrations (TMAs). The TMAs will use the system to upload their budgets and to enter detailed expenditure reporting by function, project, and economic category.	**DLI 6:** Approval of the FMIS decentralization plan to the TMAs; Access system developed & tested (year 1)	Decentralization of NFMIS to TMAs: NFMIS decentralized to 50 TMAs.

1. **Results Area 1 – Efficient revenue mobilization**

Environmental Effects

32. The Program's activities include*:* automation and simplifications of revenue mobilization and public resources management processes such as *i)* tax filing and payments; *ii*) establishment of one-stop taxpayer facilitation centers in existing public buildings; *iii*) establishment of shared Data Warehouse (for automated exchange of taxpay*er* data*); iv*) UIPT surveys and GIS mapping of properties including updating valuations and digitization of all property; *v*) development of a funds management policy and regular reporting on the holdings (cash, equity, bonds etc.); and *vi*) decentralization of NFMIS to TMAs to facilitate detailed expenditure reporting by function, project, and economic category. As all the above activities and embedded processes are ICT based, they would require the procurement of several types of IT equipment items and devices (desktop computers, laptops, printers, servers, scanners, etc.) for use by the different implementing agencies of the Program. By virtue of the above, electronic waste is expected to be generated by the end of life service of the procured equipment. As the number of the procured ICT equipment is expected to be relatively low and the resulting e-waste is far beyond the time span of this Program, the associated risks are expected to be significantly low . Nevertheless, some mitigation measures have been identified and discussed for potential consideration.

33. The activities supporting this results area are expected to produce some environmental benefits. However, these activities will also entail some potential negative risks and impacts.

(1) **Benefits:** Under this results area, the processes and transaction will become paperless. The Program e-based activities provide the opportunity for concerned implementing agencies to internalize adequate e-waste management procedures. They will also   provide an opportunity to bring to the attention of decision makers the need for formulating pertinent national policy regulations and procedures to satisfy related international environmental obligations and donor requirements.

(2) **Risks:** Low environmental risk is expected and is mainly attributed to the e-waste associated with the end of use of the procured IT equipment (computers, printers, scanners, modems, routers) used by KPRA tax facilitation centers and other implementing agencies (FD, ETNCD, BoR, P&DD). However, Lack of nation environmental policy and regulations pertinent to e-waste management pose a serious challenge in this respect.

The environmental concerns associated with the global use of ICT based technologies has been significantly growing since the past few decades. Due to the benefits and opportunities these technologies avail, they are increasingly being utilized in almost all development sectors (communication, economy, health, education, entertainment, government, etc.) leading to fast-pace digitization of the societies and economies. Unfortunately, the extensive increase in demand for these technologies is associated, after end of life use, with the generation of huge amounts of e-waste that would pose serious health and environmental risks, if not adequately managed or disposed.

A recent UN report reveals that an estimated 44.7 million metric tons of e-waste was generated globally in 2016, out of which only 20% were appropriately recycled[4]. This amount has been projected to increase to 52.2 million metric tons by 2021. Asia was noted as the region that generated by far the largest amount of e-waste (18.2 Mt) in 2016. It was also noted that only 41 countries have official e-waste statistics and only 66% of the world population is covered have developed national laws and provision for e-waste management.

Besides increasing demand, the environmental concerns associated with electronic waste in developing countries is exacerbated by low recycling rates, and illegal transboundary transport of the e-waste from developed countries. As a result, due to the disposal challenges and the non-degradable nature of the material used in the manufacturing of the equipment, e-waste ends up, besides being a serious environmental problem, a landscape and visual intrusion problem.

E-waste is classified as hazardous waste with adverse negative implication on human health and environment. It is distinct from other types of industrial and municipal waste and includes hazardous substances such as flame retardants (used in plastic housing of electronic equipment to reduce flammability), persistent organic pollutants such as Polychlorinated Biphenyls (PCBs) (used for insulating material in older electronic products) and heavy metals including lead, mercury, arsenic (solder of printed circuit boards, glass panels and gaskets in computer monitors). E-waste also contains valuable materials such as gold, silver and platinum (use in printed circuit board, connectors and hard drives). Accordingly, the distinctive nature of e-waste would warrant

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4 Baldé, C.P., Forti V., Gray, V., Kuehr, R., Stegmann,P. : The Global E-waste Monitor – 2017, United Nations University (UNU), International Telecommunication Union (ITU) & International Solid Waste Association (ISWA), Bonn/Geneva/Vienna.

the use of special handling and recycling methods to ensure the best possible minimization or elimination of its harmful effects to environment and human health.

Improper handling and/ or disposal of e-waste can release persistent toxic substances into the environment threatening food webs and human health. For example, heavy metals found in landfills were attributed to the disposal of e-waste in non-engineered landfills. Improper/ uncontrolled e-waste recycling practices employed by informal enterprises to extract gold and other precious metals can also release air-borne toxic noxious gases and particulate matter associated with these practices. This will ultimately lead to air pollution and associated chronic health risks such as respiratory irritation, coughing, choking, pneumonitis, tremors, neuropsychiatric problems, convulsions, coma and cardiovascular disease.

RA and DLIs	Core Principle 1: Environmental and Social Management: Environmental and social management procedures and processes are designed to (a) promote environmental and social sustainability in program design, (b) avoid, minimize, or mitigate against adverse impacts; and (c) promote informed decision making relating to a program's environmental and social effects	Core Principle 3: Public and Worker Safety: Program procedures ensure adequate measures to protect public and worker safety against the potential risks associated with (a) construction and/or operations of facilities or other operational practices developed or promoted under the program and (b) exposure to toxic chemicals, hazardous wastes, and otherwise dangerous materials
Results Area 1: Efficient revenue mobilization		
DLI 1: GSTS taxpayer filing compliance **(% registered taxpayers who filed and pay their obligations in past year)** **Responsible Agency: KPRA**	**Positive Impact** Utilizing ICT enhances paperless transactions and reduces carbon footprint associated with paper production (cutting trees, use of chemicals, energy, etc.). The program also avails opportunities to support KPRA development of internal procedures for the safe handling of the e-waste associated with the procured new equipment. **Environmental Risk** The generated E-waste associated with end of use of the new ICT equipment under this program (computers, printers, scanners, modems, routers, etc.) would be harmful to environment and human health if not managed in an environmentally safe manner. The improper handling and disposal of these wastes in landfills or incinerators would result in the release of hazardous and toxic chemicals and materials (heavy metals, POPs, flame retardants, etc.) into air, water and soil, which would adversely impact environment and humans.	**Environmental Risk** Potential health risks to workers and community are mainly attributed to the exposure to toxic and hazardous chemicals and materials due to improper handling and disposal of e-waste. Informal e-waste recycling practices often include shredding, burning, and dismantling of the IT related equipment in backyards or unventilated workshops. Such practices would entail serious harmful health effects to the workers and nearby communities as well as environment. The inhalation and/ or ingestion of e-waste contaminated water, air, and food supplies would imply serious result effects including respiratory problems, birth defects, brain, heart, liver, kidney and neurological and bones damage among others.
DLI 2: Database integration in tax administration **Responsible Agency: FD, ETNCD, BoR & KPRA**	**Positive Impact** As Database integration in tax administration will utilize ICT, hence, similar benefits to DLI 1 are expected.	

	Environmental Risk Similar risks as DLI 1 are expected.	Environmental Risk Potential health risks to workers and community are similar as in DL1.
DLI 3: UIPT surveys and updated property valuations (# of cities with updated surveys, valuations and digitized UIPT records) **Responsible Agency: ETNCD**	**Positive Impact** Conduct of UIPT surveys (with GIS mapping of properties), updated valuations of properties and digitization of all property records will be ICT based. This enhances paperless transactions and reduces carbon footprint associated with paper production (cutting trees, use of chemicals, energy, etc.). ICT e-waste disposal procedure will be internalized to support ETNCD capacity to deal with e-waste.	
	Environmental Risk Digitizing UIPT involves the use of ITC and would hence result in e-waste. Similar risks as DLI 1 are also expected.	**Environmental Risk** Potential health risks to workers and community are similar as in DL1.

Social Effects

34. The activities supporting this results area are expected to produce the social benefits and post the social risks, noted below, broken out by relevant socio-economic theme or issue area.

(1) **Benefits:** In terms of social benefits, the Program will result in much desired increased fiscal space to improve service delivery across the province. Currently KP Is highly reliant on Federal Government for revenue, and most budgetary planning (especially for development expenditures) is done on the basis of estimated federal receipts. Incremental planning is based on percentages of actual transfers rather than on actual planning and predictions based on revenue receipts. Increase in taxpayer compliance without increasing the tax burden, improved valuation of urban properties for taxation and using public land for generating revenue will all result in improved own source revenues (OSR) for the province to deliver basic services to its citizens.

(2) **Risks:** Low level risks are associated with the above. Low income groups can be on a risk of double taxation from increased GST compliance, and direct taxes on their salary incomes. Double taxation affects mostly companies that provide services across Pakistan, as each province has its own taxation regime (especially on GSTS). Also, double taxation is envisaged in case of low incomed salaried class people whose income tax is deducted at source by their employers, and then they have to pay general sales tax (GST) on products and services in addition. ESSA team would like to explore the possibility of tax exemptions/minimum tax rates on services which are considered essentials by the low income poor, women, elderly etc. ICT based tax collection and receipt systems pose a risk of exclusion of citizens with low IT knowledge and literacy. UIPT revaluations can disproportionately affect slum dwellers and hawkers in commercial areas.

Generating revenue from public lands may physically and/or economically displace encroachers on public lands (especially slum dwellers).

With regards to identifying and investigating sources for non-tax revenues, commercial use of public lands, and mines and minerals sectors have been identified to be explored further. Generating revenue from public lands under the Holding Company established within this Program may have a downstream impact of physically and/or economically displacing encroachers on public lands (especially slum dwellers). Having said that, within the life of this Program, forced evictions and private development on public land will not occur. But this risk has been identified as a downstream impact and recorded in the ESSA as a risk which needs to be dealt with and mitigated within the Program life. The other option for non-tax revenue to be explored is in the mining sector. In this Program's life, only revenue potential of mining sector will be studied, along with assessing the current environmental and social practices, in order to develop future interventions within the sector which are sustainable and fair.

RA and DLIs	Core Principle 5: Due consideration is given to cultural appropriateness of, and equitable access to, program benefits, giving special attention to rights and interests of indigenous peoples and to the needs or concerns of vulnerable groups.	Core Principle 6: Avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.
Results Area 1: Efficient revenue mobilization		
DLI 1: GSTS taxpayer filing compliance (% registered taxpayers who filed and pay their obligations in past year) **Responsible Agency: KPRA**	**Positive Impact** Increase in GST payers will increase the OSR considerably, which will provide the required fiscal space to improve planning and development of service delivery and infrastructure projects for remote, vulnerable areas. Focus on 'low rate, broad base' will minimize over-taxation especially of marginalized groups. On double taxation, the operation will support simplification efforts (for e.g. integrating the Professional tax in GSTS) that should reduce double taxation. **Social Risk** There are 91 services liable for GSTS currently in KP. There is a need to review these to ensure that at current rate of tax (17%), lower income groups do not get disproportionately affected. Moreover, double taxation where salaried individuals pay income tax as well as GSTS needs to be checked and minimized.	**Social Risk** PATA districts are exempt from taxes, and recently FATA has also been merged to KP. Recently merged FATA districts, as well as PATA districts remain exempt from all sorts of taxes, and the current KP government plans to keep it so for at least 3 years. Expanding GSTS to these districts and areas will need careful planning, and a phased/transition approach, to avoid social conflict and distress. As of now, little information is available on future taxation plans for these areas, with a high chance that they will remain exempted until general elections are organized and conducted for these areas. Also, entire infrastructure for revenue collection has to be extended to these areas which is complex in the absence of basic government functionalities (like municipalities, courts, water and sanitation services, etc.)
DLI 2: Database integration in tax administration **Responsible Agency: FD, ETNCD, BoR & KPRA**	**Positive Impact** Critical output for business intelligence function, and to track and trace eligible taxpayers for all sorts of government taxes. Hence minimizing overtaxing of one segment of society whose financial details are available to the agencies by	**Positive Impact** Sharing of information by all tax authorities will improve equitable taxation regime, rather than skewed towards a certain registered group, hence lowering the chance of social unrest.

RA and DLIs	Core Principle 5: Due consideration is given to cultural appropriateness of, and equitable access to, program benefits, giving special attention to rights and interests of indigenous peoples and to the needs or concerns of vulnerable groups.	Core Principle 6: Avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.
	default (e.g. salaried workers, urban marketers, shop owners, etc.) **Social Risk** Such integration and automation also assists in tax collection and receipts using ICT such as e-filing and electronic payments. Given the current level of IT literacy and knowledge in KP, there is a risk that taxpayers associated with certain type of services may get excluded due to their ICT handicap.	No social risk
DLI 3: UIPT surveys and updated property valuations (# of cities with updated surveys, valuations and digitized UIPT records) **Responsible Agency: ETNCD**	**Positive Impact** Improved UIPT calculations and digitization will help in increasing the revenue from this critical provincial tax, and will minimize complains, if the criteria are made public. **Social Risk** UIPT on properties in urban slums can be disproportionately valued and increased, including urban properties serving the poor and marginalized (e.g. bus stands, etc.);	**Positive Impact** UIPT calculations often create resentment amongst the taxpayers as they are not aware of the process, valuation methods, exemptions etc. Improved valuation, digitization, and access will reduce the complains and conflict. No social risk

2. Results Area 2 - Effective management of public resources

Environmental Effects

35. The activities supporting this results area are expected to produce some environmental benefits, risks and impacts similar to those under Results Area 1.

(1) **Benefits:** Under this results area, the processes and transaction will become paperless. It will also provide the opportunity for concerned municipalities to internalize adequate e-waste management procedures and bring to the attention of decision makers the need for formulating pertinent national policy regulations and procedures to satisfy related international environmental obligations and donor requirements.

(2) **Risks:** Low environmental risk is expected and is mainly attributed to the e-waste associated with the end of use of the procured IT equipment (computers, printers, scanners, modems, routers) used by the municipalities. However, Lack of nation environmental policy and regulations pertinent to e-waste management pose a serious challenge in this respect.

RA and DLIs	Core Principle 1: Environmental and Social Management: Environmental and social management procedures and processes are designed to (a) promote environmental and social sustainability in program design, (b) avoid, minimize, or mitigate against adverse impacts; and (c) promote informed decision making relating to a program's environmental and social effects	Core Principle 3: Public and Worker Safety: Program procedures ensure adequate measures to protect public and worker safety against the potential risks associated with (a) construction and/or operations of facilities or other operational practices developed or promoted under the program and (b) exposure to toxic chemicals, hazardous wastes, and otherwise dangerous materials
Results Area 2: Effective management of public resources		
DLI 6: Decentralization of NFMIS to TMAs **Responsible Agency: LGD**	**Positive Impact** ICT e-waste disposal procedure will be internalized to support NFMIS capacity to deal with e-waste. **Environmental Risk** Bringing the accounts of municipalities into the NFMIS would involve use of ICT hence result in some e-waste.	 **Environmental Risk** Lack of procedures and guidelines on how to manage e-waste would expose the employees to potential health risks.

Social Effects

36.   The activities supporting this results area are expected to produce the social benefits and post the social risks, noted below:

   a. **Benefits:** Planned cash management across treasury accounts will improve budgetary allocations as the managers will have an estimate of unspent funds at any given time. Extending NFMIS to the municipal level will result in efficiency at the Tehsil levels since they will be able to make their own re-appropriations as they deem fit.

   b. **Risks:** The only risks perceived within this result area are those related to conflicts within departments and civil administration, which can hamper service delivery and stall progress of the Program. These are mainly related to removing unapproved projects from the ADP, and increased scrutiny of elected district governments through introducing NFMIS.

RA and DLIs	Core Principle 5: Due consideration is given to cultural appropriateness of, and equitable access to, program benefits, giving special attention to rights and interests of indigenous peoples and to the needs or concerns of vulnerable groups.	Core Principle 6: Avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.
Results Area 2: Effective management of public resources		
DLI 4: Cash management based on daily consolidation of cash balances and regular cash plans **Responsible Agency: FD**	**Positive Impact** Cash management will help improve expenditure tracking, effective fiscal planning and knowledge of the managers of unspent funds at hand. All of this will provide increased opportunity for allocations for vulnerable groups. No social risk	**Social Risk** This DLI may require the closure of all but a few government accounts in the commercial banks, and consolidate all funds in the designated Treasury Single Account (TSA). There is a high risk of political, institutional and departmental resistance to this step, leading to conflict within departments and civil administration, which can hamper service delivery and stall progress of the Program. But since having such accounts is against the rules of business, the chance should be minimum.
DLI 5: ADP funds allocated to unapproved projects (except projects pending with ECNEC) **Responsible Agency: P&DD**	**Social Risk** There can be unapproved projects which are not financially viable or are low in rate of return due to their type or location (for example inter-district road in a remote mountainous terrain to link two lowly populated valley). Not including such projects may exclude the needs or concerns of vulnerable groups.	**Social Risk** Such allocations happen usually due to pressures from parliamentarians on government officials to include 'projects in their constituencies in the ADP, regardless of the lack of evidence-based rationale or preparation of these projects. Removing such allocations without consultations and engagements can cause conflicts and resentment.
DLI 6: Decentralization of NFMIS to TMAs **Responsible Agency: LGD**	No social risk	**Social Risk** Although the extension of the NFMIS to municipalities will help municipalities manage their budgets by making their own re-appropriations within their budgets, there can be resistance within the elected district governments to the increased scrutiny. Such a resistance can result in conflict between the bureaucracy and elected representatives specially in FATA and PATA areas.

Grievances Redress and Citizens Engagement

37. There are multiple systems of complaint filing and grievance management in KP. There is an online Province wide, Grievances Redressal System, which is housed under the Chief Secretary's Office. All provincial departments have been given unique logins into the System and are required to check it regularly so as to respond to any query/complaint filed by a citizen. Each department is required to login periodically to check the status against their own functions. In addition, there are departmental helplines and GRM (including one for KPRA), which are functional through call centers, android applications and/or websites. But these are not integrated with the Provincial GRM, which increases efforts on the departments' part to keep checking the central GRM as well as respond to their own System. There is a need to integrate all these systems in order

to improve interdepartmental coordination so that no complains fall through the cracks, and that the responses go efficiently to the complainants. Such an effort is being made under the World Bank funded Governance and Policy Project, being implemented by the P&DD and FD of KP.

38.   Citizens engagement through feedback and opinion surveys is regularly conducted by FD, WSSP, and other departments across KP. These are issue/service specific and frequently use ICT tools to reach out to general public for their opinion. Also, under the World Bank funded Governance and Policy Project, GoKP conducts citizens satisfaction surveys for various services, and engages regularly with the Right to Services Commission. Participatory audits of service delivery are yet to be initiated in the province under the federal Public Finance Management Program, where Auditor General of Pakistan's Office will be conducting such audits with the help of third parties. KPRMPRM must benefit from these practices and capitalize upon these for its own citizen engagement requirements.

III. **ASSESSMENT OF ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS AND IMPLEMENTATION CAPACITY**

A. **Introduction**

39. As noted earlier, the PforR Policy requires the proposed Program to operate within an adequate environmental and social management system that can manage environmental and social effects (particularly adverse impacts and risks) identified during the ESSA process. This includes (a) an adequate legal and regulatory framework and institutional setting to guide environmental and social impact assessment and the management of environmental and social effects, and (b) adequate institutional capacity to effectively implement the requirements of the system.

40. This section assesses whether the program's environmental and social management systems are consistent with the core principles and key planning elements contained in the PforR Policy and whether the involved institutions have the requisite capacity to implement these systems' requirements. Both elements (e.g. program systems and capacity) are necessary towards ensuring that the environmental and social effects identified in Section II are effectively managed. Through both analyses, the ESSA team has identified gaps in both areas, which are addressed in Section V: Inputs to the Program Action Plan.

41. A *program system* is constituted by the rules and "arrangements within a program for managing environmental and social effects,"[5] including "institutional, organizational, and procedural considerations that are relevant to environmental and social management"[6] and that provide "authority" to those institutions involved in the program "to achieve to achieve environmental and social objectives against the range of environmental and social impacts that may be associated with the Program."[7] This includes existing laws, policies, rules, regulations, procedures, and implementing guidelines, etc. that are applicable to the program or the management of its environmental and social effects. It also includes inter-agency coordination arrangements if there are shared implementation responsibilities in practice.[8]

42. *Program capacity* is the "organizational capacity" the institutions authorized to undertake environmental and social management actions to achieve effectively "environmental and social objectives against the range of environmental and social impacts that may be associated with the Program."[9] This ESSA has examined the adequacy of such capacity by considering, among other things, the following factors:

(a) Adequacy of human resources (including in terms of training and experience), budget, and other implementation resources allocated to the institutions;

(b) The adequacy of institutional organization and the division of labor among institutions;

(c) Effectiveness of interagency coordination arrangements where multiple agencies or jurisdictions are involved; and

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5 Drawn from *Program-for-Results Financing: Interim Guidance Notes on Staff Assessments*, "Chapter Four: Environmental and Social Systems Assessment Interim Guidance Note," Page 77, paragraph 1.
6 Ibid, page 82, paragraph 12.
7 Ibid., Page 77, paragraph 2, and page 82 paragraph 12.
8 Based "Chapter Four: Environmental and Social Systems Assessment Interim Guidance Note," *Program-for-Results Financing: Interim Guidance Notes on Staff Assessments.*
9 Ibid., Page 77, paragraph 2, and page 82 paragraph 12.

(d)   The degree to which the institutions can demonstrate prior experience in effectively managing environmental and social effects in the context in projects or programs of similar type and magnitude.

43.   This ESSA examines and discusses only those aspects of the Proposed program's environmental and social management systems and related capacity that the ESSA Team found to be relevant considering its identified environmental and social effects. This section provides a *summary assessment* of the Program's systems and capacity as they relate to each of the core principles and key planning elements. The text and tables below clarify the instances in which one or more of the Core Principles or Key Planning Elements are not relevant to the program and are thus inapplicable. More in depth discussion and analysis of the Program's systems and capacity are found in Annex 3.

B. Core Principle 1 - Environmental and Social Management

44.   As indicated below, and in greater detail in annex 2, the assessment of program systems under this principle determined that there are likely environmental risks associated with e-waste generation if such waste is not handled and disposed of in an environmentally sound manner. This e-waste would be generated at the end of use of the new ICT equipment procured for the implementing agencies engaged in this Program and would be insignificant compared with the amount of e-waste generated in Pakistan (estimated at 317 metric kilotons in 2015)[10], such e-waste would still need to be managed in an environmentally sound manner.

45.   In terms of program capacity, the main findings indicate that current regulations at both provincial and federal levels lack specific provisions pertinent to e-waste management. KP Environmental Act 2014 only includes general provisions on the 'Prohibition of Import of Hazardous Waste' and the requirements for 'Handling Hazardous Substances'. Furthermore, KP EPA is under-staffed and lacks the adequate capacity to support the monitoring and the enforcement of related environmental regulations.

46.   **Recommendations:** Based on the gaps identified in this assessment, the ESSA Team recommends that the agencies responsible for the implementation of the Program develop internal rules and procedures for handling e-waste based on current Good International Industrial Practices (GIIP) and World Bank Groups General Environment, Health and Safety Guidelines (EHS). The team also recommend that the concerned IAs maintain records of their e-waste and forward these records to KP EPA to enhance its related database in support of the development of pertinent provincial regulations. Staff should also receive specialized training on e-waste associated environmental and health risks and related management options as part of their capacity-building programs.

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10 Iqbal, M., et al., Emerging issue of e-waste in Pakistan: A review of the status, research needs and data gaps, Environmental Pollution (2015)), http://dx.doi.org/10.1016/j.envpol.2015.09.002

Table 2: Core Principle 1 - Environmental and Social Management

Core Principle 1: Environmental and social management procedures and processes are designed to (a) avoid, minimize, or mitigate adverse impacts; (b) promote environmental and social sustainability in program design; and (c) promote informed decision-making relating to a program's environmental and social effects.			
Key Planning Elements	**System Assessment**	**Capacity Assessment**	**Recommendations**
Program procedures will: 1.1 Bank program procedures are backed by an adequate legal framework and regulatory authority to guide environmental and social impact assessments at the programmatic level.	The Bank Program procedures are backed by the provisions and requirements of Pakistan Environmental Protection Act (PEPA), 1997 and Khyber Pakhtunkhwa Environmental Protection Act 2014 (KPEPA 2014). The concerned regulatory authorities include Pakistan EPA and KP Department of Environment.	The legal environmental framework includes various provisions and acts for the protection of environment and public health. These Acts are applicable to a broad range of issues including socioeconomic aspects, land acquisition, air, water, soil, marine, noise and hazardous waste among others. However, No specific provisions are available e-waste management.	In the absence of specific regulations and guidelines, it is recommended that the implementing agencies (IAs) resort to current Good International Industrial Practices (GIIP) on e-waste management. It is also recommended that the IAs maintain records of the ICT resultant waste to be reported to EPA on regular basis to enhance its database on e-waste and support pertinent e-waste regulations in the country. The development of such regulations is beyond the scope of this Program.
1.2. Incorporate recognized elements of environmental and social assessment good practice, including the following: 1.2 (a) Early screening of potential effects	Environmental screening of project's potential effects is carried out by KP EPA according to Pak-EPA Regulations 2000	The type of activities under this Program does not require screening of potential effects.	Not Applicable
1.2 (b) Consideration of strategic, technical, and site alternatives (including the 'no-action' alternative)	The type of activities under the Program does not require strategic, technical and site alternatives as most of these activities deal with information systems development, formulation of procedures, digitization, database integration, etc.	Capacity assessment was not required.	Not Applicable
1.2 (c) Explicit assessment of potentially induced, cumulative, and transboundary impacts	The amount of e-waste generated is insignificant when compared with overall provincial and national e-waste generation. However, the program related e-waste	All IAs have basic IT set up. However they lack reference national policies/ regulations and internal rules and procedures to deal with the e-waste.	Support capacity building of IAs with regard to formulation of internal rules and procedures based on GIIP and WBG EHS

	generated may have long term induced impacts on environment and workers' health dealing with this waste.	Furthermore, the IAs lack related capacity in this regard.	Guidelines, and staff training/ awareness on e-waste management and related environmental and health issues.
1.2 (d) Identification of measures to mitigate adverse environmental or social impacts that cannot be otherwise avoided or minimized	In all IAs; no system and procedures currently in place for managing e-waste in an environmentally sound manner.	As noted above, IAs lack awareness and capacity (systems, procedures etc.) to handle e-waste All IAs have basic IT set up. H however they lack reference national in policies/ regulations y and internal, rules/ procedures and regulation to deal with the e-waste. Furthermore, the IAs lack related capacity in this regard.	Support capacity building of IAs with regard to formulation of internal rules and procedures based on GIIP and WBG EHS Guidelines, and staff training/ awareness on e-waste management and related environmental and health issues.
1.2 (e) Clear articulation of institutional responsibilities and resources to support implementation of plans	Pakistan Environmental Protection Agency (EPA) and Khyber Pakhtunkhwa Environmental Protection Agency are the concerned regulatory and monitoring institutions responsible for environment. The IAs are responsible for handling the IT equipment at their end of life use.	IAs lack reference e-waste management national policies/ regulations, internal rules and procedures, and related capacities.	Support the capacity building of the IAs with regard to the formulation of internal rules and, procedures based on current GIIP and WBG (EHS) guidelines, and staff training/ awareness with regard to the e-waste management and related environmental and health issues.
1.2 (f) Responsiveness and accountability through stakeholder consultation, timely dissemination of program information, and through responsive grievance redress measures	There is no formal stakeholder's consultation process, however, all investment projects are duly approved by the provincial assembly as a part of annual budget which are disclosed in web sites of respective IA(s).	Adequate processes exist for information dissemination and disclosure.	None.

C. Core Principle 2 – Natural Habitats and Physical Cultural Resources

47. Given the scope of the proposed Program's activities, the ESSA Team concludes that the Program is unlikely to have any adverse impacts or pose any risks for natural habitats and PCR. This principle is therefore not applicable.

D. **Core Principle 3 – Public and Worker Safety**

48. ESSA Team believes that the Program may result in hazardous waste associated with the disposed IT equipment at end of use life. This waste could result in negative impacts to workers and public health if not disposed of in an environmentally safe manner. However, the life of the equipment exceeds the project implementation phase.

49. In terms of Program capacity, ESSA team noted the lack of specific provisions on e-waste management. The KP Environmental Act of 2014, include only general provisions on prohibition of 'Import of Hazardous Waste' and on prohibition on 'Handling of Hazardous Substances'. There are also no disposal or formal recycling facilities in Pakistan to allow safe and sound management of the e-waste and to eliminate the informal recycling activities with its associated environmental and health impacts. KP EPA is also understaffed which limits its capacity to carry out regular environmental inspection and enforce related compliance in the province.

50. As also discussed in Core Principle 1, it is recommended that the implementing agencies staff receive training and awareness raising on environmental and health related issues on e-waste management as part of their capacity-building programs.

Table 3: Core Principle 3 – Public and Worker Safety

Core Principle 3: Program procedures ensure adequate measures to protect public and worker safety against the potential risks associated with (a) construction and/or operations of facilities or other operational practices developed or promoted under the program and (b) exposure to toxic chemicals, hazardous wastes, and otherwise dangerous materials.			
Key Planning Elements	**System Assessment**	**Capacity Assessment**	**Recommendations**
3 (a) Promotes community, individual, and worker safety through the safe design, construction, and O&M of physical infrastructure, or in carrying out activities that may be dependent on such infrastructure with safety measures, inspections, or remedial works incorporated as needed.	No assessment is required as the Program activities do not involve any construction activities.	Not Applicable	None Applicable
3 (b) Promotes the use of recognized good practice in the production, management, storage, transport, and disposal of hazardous materials generated through program construction or operations; promotes the use of IPM practices to manage or reduce pests or disease vectors; and provides training for workers involved in the production, procurement, storage, transport, use, and disposal of hazardous chemicals in accordance with international guidelines and conventions.	Current regulations do not reveal specific provisions on e-waste management. KP Environmental Act 2014 Section 15 include general provision on the handling of hazardous substances including: generation, collection, consignment, transportation, treatment, dispose of, any hazardous substance. No pertinent guidelines are provided. Pakistan is party to the Basel Convention which prohibit transboundary movement of e-waste.	No e-waste regulations or disposal facilities are available in KP/ Pakistan. The implementing agencies do not have reference policy or internal procedures to manage the obsolete IT equipment.	Implementing Agencies to develop internal procedures in line with good international industrial practices (GIIP), the World Bank Group's EHS, and in accordance with the requirements of the pertinent international conventions to facilitate the handling and disposal of their IT equipment at the end of their life use.
3 (c) Includes measures to avoid, minimize, or mitigate community, individual, and worker risks when program activities are located within areas prone to natural hazards such as floods, hurricanes, earthquakes, or other severe weather or climate events.	No assessment is required as the Program activities do not involve construction activities which could be affected by severe weather or climate events.	Not Applicable	None Applicable

51.   The sections below provide information on the E-waste issues in Pakistan and the global e-waste management options:

E-Waste Issues in Pakistan

52.   Although Pakistan is a signatory of Basel Convention on the Control of Trans-Boundary Movement of Hazardous Waste and their Disposal. However, it is on the other hand one of the leading e-waste destinations in the world[11] as indicated in the UNEP report: "Waste Crimes, Waste Risks: Gaps and Challenges in the Waste Sector" released in May 2015[12].   E-waste is illegally imported to the country as second-hand equipment, donation, and via transit imports. The fact that the second-hand equipment plays a vital role in the penetration of ICTs in the country, coupled with the growing profitable recycling sector, pose a serious barrier for stopping these imports. The recycling sector is totally controlled by the informal market recycling actors and lacks accountability, transparency, and above all governing legal frameworks.

53.   Pakistan government had taken some measures to control the imports and handling of electronic waste, which is listed under "hazardous waste and substances" category. The ministry of environment in also established Federal and Provincial Environmental Protection Agencies (EPA) and enacted the Pakistan Environmental Protection Act 1997. Section 13 of this Act, prohibits the import of hazardous waste and Section 14 bans the handling of hazardous substances. However, there are neither specific national regulations for e-waste, nor formal mechanism for e-waste management at national level.

54.   The E-waste disposal process in Pakistan starts with purchase and/ or collection of unwanted electric and electronic equipment and devices by vendors and scrapers in cities like Karachi, Lahore, Faisalabad, Peshawar, Gujranwala and Islamabad/ Rawalpindi. These equipment and devices are then physically dismantled and sold to other extractors and dismantlers who often use illegal and crude recycling techniques such as open burning, acid bathing and blow torching to extract the valuable materials. The discarded remains end up in landfills, water bodies or scattered on land. Furthermore, indoor recycling activities are mostly done in non-ventilated facilities, without any protective equipment or safety measures which pose further serious health and safety threats to the workers involved in the process.

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11 Informal Electronic Waste Recycling in Pakistan:
   https://www.researchgate.net/publication/308272840_Informal_Electronic_Waste_Recycling_in_Pakistan

12 Waste Crimes, Waste Risks: Gaps and Challenges in the Waste Sector released in May 2015

E-waste Management Options

55.   Controlled incineration is one of the methods used to dispose e-waste. However, this method is generally associated with the risk of generating contaminants and hazardous substances. Gases released during burning and the residue ashes are often toxic, especially if no prior treatment or sophisticated gas purification is undertaken. The copper in circuit boards and cables can catalyze dioxin formation when flame-retardants are incinerated which can generate extremely toxic polybrominated dioxins (PBDDs) and furans (PBDFs). The PVC contained in the e-waste can also generate dioxins, which are toxic to humans and environment. Similarly, open burning of e-waste is also likely to emit toxic pollutants into atmosphere, which when inhaled by humans would cause serious health problems (repository, emphysema, cancer etc.).

56.   Landfilling is a widely used e-waste disposal option[13]. However, if landfills are not properly designed and monitored, possible landfill leaks could occur, which would lead to land and ground water contamination associated with heavy metals and toxic substances. However, these negative impacts could significantly be reduced if toxic e-wastes are separated through recycling and only solid waste that no further recycling is possible before dumping in landfills.

57.   Due to the negative environmental and health impacts associated with the un-environmentally friendly incineration and landfilling methods, recycling presents the most environment friendly and economically viable option[14].   Accordingly, the most recent developments in e-waste management best practices strongly promote the 3R principals approach system (Reduce, Reuse, Recycle) to change the e-waste challenge into an opportunity that supports sustainable development. This is driven by the fact that the several e-waste components contain valuable materials and precious metals, which if recovered, reused and recycled would help mitigate e-waste associated environmental impacts and protect natural resources.

58.   The Basel Convention Partnership for Action on Computing Equipment (PACE) developed in 2017 a "Guidance document on the environmentally sound management of used and end-of-life computing equipment"[15].   The document provides general guidance pertinent to the environmentally sound management (ESM) of used and end-of-life computing equipment with emphasis on reuse and recycling to avoid final disposal in landfills or incinerators. Accordingly, the document addresses in detail pertinent ESM criteria; transboundary movement procedures; testing, refurbishment and repair as well as material recovery and recycling. The document, which includes 11 detailed parts on the various ESM related topics, could be used a training module and/ or a reference for the concerned with the subject matter.

59.   National guidelines were also developed by several countries (e.g. India, China, Ghana[16]) to support the implementation of environmentally sound management (ESM) practices for the e-waste generated in the country. These guidelines were based on a detailed analysis of pertinent available voluntary standards and were developed in close consultation with concerned key stakeholders. These included: (1) Collectors, (2) Collection Centers, (3) Transporters, (4) Treatment Facilities, and (5) Final Disposal, as well as concerned

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13 Basel Convention, Partnership for Action on Computing Equipment (PACE), UNEP/CHW.13/INF/31/Rev.1, Distr.: General, 12 July 2017

14 E-waste Management as a Global Challenge, June 2016; DOI: 10.5772/64596, Authors and Editors, Florin Constantin Mihai and Maria Grazia Gnoni.

15 Technical Guidelines on Environmentally Sound E-Waste Management for Collectors, Collection Centers, Transporters, Treatment Facilities and Final Disposal in Ghana, February 2018Basel Convention, Partnership for Action on Computing Equipment (PACE), UNEP/CHW.13/INF/31/Rev.1, Distr.: General, 12 July 2017

government authorities and policy makers. Lessons learned from these experiences among others, could be useful in the development of pertinent e-waste management guidelines in Pakistan.

E. **Core Principle 4 – Land Acquisition**

60.　Given the scope of the proposed Program's activities, the ESSA Team concludes that the Program is unlikely to have any large scale adverse impacts or pose any risks caused by the acquisition of land or the restriction of use or access to land or natural resources, including the loss of income caused by such actions. However, this principle is only applicable with regard to possible physical and/or economic displacement of the landless poor, encroaching public lands as a downstream impact.

61.　As indicated below, and in greater detail in annex 2, the assessment of program systems under this principle determined that most often public lands are encroached upon by the landless, poorest segments of the society. Commercial utilization of such properties under IRI 1.8 Revenue Generation from Public Property, will involve generation of asset maps and establishing a Holding Company. This activity may possibly lead to forced evictions for commercial utilization by public authorities, as a downstream impact, without compensations as the current Law does not allow compensating non-titleholders/encroachers/slum dwellers/street hawkers. ESSA Team is of the view that while the rules of business are set for this Holding Company and asset mapping is carried out, LAA 1894 must also be revisited so that all future public land use is carried out as per modern day acceptable practices, recommended under this Core Principle.

62.　In terms of program capacity, the main findings are that the Land Acquisition Act 1894 does not allow compensations for any economic displacement of encroachers and non-title holders. This is a major gap between WB requirements and the country systems. However, in the construction of the recent Bus Rapid Transit Project in Peshawar, in partnership with Asian Development Bank, Government of KP did provide compensations for economic displacement to the shop owners, hawkers (non-titleholders) etc. who were affected by remodeling and construction of underpasses. A grievances redressal system was also placed under the Land Acquisition and Resettlement Committee who was also the focal point for providing compensation. So in the shape of BRT, precedence of a recommended practice for equitable land acquisition and resettlement exists.

63.　**Recommendations:** Based on the gaps identified through the assessment and on the basis of possible downstream impacts on resettlement, the ESSA Team recommends to review The Land Acquisition Act, 1894 and update it according to the recommended practices across Pakistan and elsewhere in the region. Such an update will be pro-poor and landless.

Table 4 : Core Principle 4 – Land Acquisition

Core Principle 4: Land acquisition and loss of access to natural resources are managed in a way that avoids or minimizes displacement, and affected people are assisted in improving, or at least restoring, their livelihoods and living standards.			
Key Planning Elements	**System Assessment**	**Capacity Assessment**	**Recommendations**
4 (a) Avoids or minimizes land acquisition and related adverse impacts	The main legal tool used for land acquisition in KP is the Land Acquisition Act (LAA) 1894. The Law takes into consideration the genuineness of the public purpose involved, the minimum requirements of the acquiring agency, and suitability of the area proposed for requisition keeping in view its alternative uses if any.	Performance in this regard varies and needs significant improvement. As such, cases where land acquisition was minimized due to adverse social impacts, are minimal. Measuring social impacts is usually not on the radar of the BoR.	Current Land Acquisition Act needs to be updated in accordance to the recommended local, regional and international practices to respond to all system and capacity gaps.
4 (b) Identifies and addresses economic and social impacts caused by land acquisition or loss of access to natural resources, including those affecting people who may lack full legal rights to assets or resources they use or occupy	LAA 1894 has clear provisions and procedures for compensation in this regard when it comes to land titleholders under its Sections 23 and 24. The use of Section 17 under LAA leads to further issues due to emergency acquisition of land without prior public consultation.	The Law does not cover non-titleholders and encroachers for any type of compensation. There is a strong resistance to this as most public officials consider encroachments as organized crime where influential individuals occupy public land and lease/rent it out to the landless.	
4 (c)Provides compensation sufficient to purchase replacement assets of equivalent value and to meet any necessary transitional expenses, paid before taking of land or restricting access	According to LAA 1894, compensation is paid for all assets at market value rather than replacement cost. The process for the determination of market price relies on recent land sale transactions of similar nature in the nearby area. The market rates are also notified by the relevant deputy commissioner on an annual basis.	Replacement costs for assets not considered. One of the reasons cited has been the antiquity of the Law. Such concepts were not present in the colonial rule of 1894.	
4 (d) Provides supplemental livelihood improvement or restoration measures if taking of land causes loss of income-generating opportunity (for example, loss of crop production or	Livelihood improvement or restoration measures are not a consideration under the Law.	A serious short coming in the Law. The law is silent on such compensations for even the titleholders.	

employment)			
4 (e) Restores or replaces public infrastructure and community services that may be adversely affected.	Relevant department for whom the public land has been acquired, or whose impact is on public infrastructure and community services restores and replaces it.		

F. Core Principle 5 – Indigenous Peoples and Vulnerable Groups

64. The ESSA Team has ascertained \that no imminent risks are foreseen within the life of the Project to the Kailash people, the only indigenous people in Pakistan. They are exempt from all sorts of taxes and will remain so due to the design of the taxation regime. Main sources of livelihood for the Kailash people remain agriculture and livestock, from small land holdings which are exempt from taxes due to their size and income. Accordingly, portions of this principle pertaining to Indigenous Peoples are not applicable. However, the elements related to consultations and vulnerable groups have been assessed.

65. As indicated below, and in greater detail in annex 2, the assessment of program systems under this principle determined that DLI 1 poses low level risks to vulnerable groups which include lower income groups who may get disproportionately affected by increased GST filing compliance. Moreover, automation of tax collection and receipts has the risk to exclude individuals with low level of ICT knowledge and skills under DLI 2. UIPT on properties in urban slums can be disproportionately valued and increased, including urban properties serving the poor and marginalized. It may be noted here that vulnerable groups such as widows and owners of land less than 5 marlas are exempt from UIPT on residential properties, but no such exemption is in place for commercial properties. UIPT valuations are based on more than 50 years old taxation rules which are bound to be updated. Such an update, planned under DLI 3, in itself poses a risk for low income groups and slum/squatter settlements in urban areas. There can be unapproved projects which are not financially viable or are low in rate of return due to their type or location (for example inter-district road in a remote mountainous terrain to link two lowly populated valleys). Not including such projects may exclude the needs or concerns of vulnerable groups under DLI 7.

66. In terms of program capacity, the main findings conclude that there are guidelines available to consult project affected people under the KP Environment Protection Act 2012. But these remain focused on large scale infrastructure projects. As such, government departments are not required to consult vulnerable groups for their inputs into any interventions that can have perceivable impacts on them. These include designing taxation regimes including UIPT, prioritizing service delivery projects, expenditure on social safety nets etc. However, having said that under the Open Government Partnership (OGP) initiative, KP government commits to establish an open communication with citizens, especially around budget planning, preparing citizens budget (which citizens can understand easily and refer to), Local Government Department has developed a Communications Strategy with ICT and social media at its center. These initiatives are promising as they are by design inclusive and consultative.

67. **Recommendations:** Based on the gaps identified through the assessment, the ESSA Team recommends:

    a. Conduct a gender analysis of existing tax and property mechanisms to examine whether they are progressive or regressive on women; This would entail evaluating the incidence of direct/indirect taxes on women owners of businesses; assessing the existing tax exemptions for vulnerable women (widows, sole earners); exploring women's existing information/knowledge base of taxing instruments.

    b. Strengthen various existing KP forums on Social Protection Reforms, RTI, RTS, PCSW, etc. for inclusion of vulnerable groups into the provincial project planning and development process. This can be done through the ongoing efforts of the GPP, by supporting and investing into formalizing consultations.

c. Facilitate FD in strengthening and expanding their Open Government Partnership initiatives by providing assistance in opinion surveys, citizen score cards, citizen budgeting, gender responsive budgeting and communications, etc.

Table 5: Core Principle 5 - Indigenous Peoples and Vulnerable Groups

Core Principle 5: Due consideration is given to cultural appropriateness of, and equitable access to, program benefits, giving special attention to the rights and interests of indigenous peoples and the needs or concerns of vulnerable groups.			
Key Planning Elements	**System Assessment**	**Capacity Assessment**	**Recommendations**
5. (a) Undertakes free, prior, and informed consultations[17] if indigenous peoples are potentially affected (positively or negatively) to determine whether there is broad community support for the program.	Under the Open Government Partnership (OGP) initiative, KP government commits to establish an open communication with citizens, especially around budget planning, spending and performance outcomes. The GoKP's intent for fiscal transparency is to make citizens aware of how and on what the public money is being spent, to enable a two-way communication with citizens on budget priorities and performance, and to enable citizen oversight for greater accountability. So far, KP Finance Department has completed a consultation with almost 3 million people using ICT to gauge citizens' budget spending priorities. Consultations are also required under KP Environment Protection Act 2012, where government departments are required to organize public consultations to inform the concerned citizens of the design of the project, its impacts and mitigation. Local Government Department has developed a Communications Strategy with ICT and social media at its center.	By law, consultations are only required under KP Environment Protection Act. However, these have been carried out by various government departments under projects and initiatives led by bilateral and multilateral donors. In most cases, consultants are hired from the private sector to lead these, while government partners help organize and coordinate. In certain instances, KPRA conducted consultations with traders where the GSTS was rolled out for the first time. But these were more a self initiative and is not required by their rules. Except Finance Department, Local Government, P&DD and BOR, remaining implementing agencies have limited capacity to undertake free prior and informed consultations with public at large, nor is it required by law.	Engage with FD and P&DD to formalize consultations for project planning and development. There are openings existing in the shape of the Social Protection Reform Cell in the Sustainable Development Unit of the P&DD and through the OGP initiatives spearheaded by the FD.
5. (b) Ensures that indigenous peoples can participate in devising opportunities to	N.A		

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17 In the context of the current Program, consultations requirements under the system and capacity assessments are geared towards vulnerable people rather than the indigenous people

benefit from exploitation of customary resources or indigenous knowledge, the latter (indigenous knowledge) to include the consent of the indigenous peoples.			
5. (c) Gives attention to groups vulnerable to hardship or disadvantage, including, as relevant, the poor, the disabled, women and children, the elderly, or marginalized ethnic groups. If necessary, special measures are taken to promote equitable access to program benefits.	Widows and owners of land less than 5 marlas are exempt from UIPT on residential properties. There is a Senior Citizens Act 2014 in KP, which provides preferential treatment for the elderly. Under the act, people who reached 60 years of age can apply and would be issued senior citizens cards under which these cardholders would be extended free access to parks, libraries, other picnic and recreational places, financial assistance, concession in medicines, setting up separate medical wards for them in public. KP has enacted a Women Empowerment Policy 2017 aiming at improving overall status of women in KP through their socio-economic, political and legal empowerment. Salient features of the policy include provision of quality health care, reducing gender gap in education, creation of employment and income generation opportunities to encourage their equal participation in all political processes and to ensure elimination of all forms of discrimination and violence against women and girls through legislation and its effective implementation. The provincial government has also passed the Bill for preventing Harassment of Women at the workplace and has asserted that the incumbent government will soon table the bill for prevention of Domestic	As such, the implementing agencies do not have dedicated services for the vulnerable group, including the poor, disabled and marginalized ethnic groups. So the capacity to mitigate the mentioned risks in preceding sections is limited. Overall implementing agencies are limited by human resources availability, capacity and infrastructure to target and respond to risks and challenges faced by the vulnerable groups such as landless, encroachers, ethnic minorities and disabled. However, there are Committees set up in most agencies for preventing harassment of women at workplace, mostly chaired by the respective Secretaries. Village and Neighborhood Councils can help voice the concerns of the vulnerable people to some extent as they have reserve seats for peasants, women, and minorities. But since they are still new, their capacity of outreach and understanding of the challenges is limited. Social Protection Reforms Cell in the SDU of P&DD is mandated to work towards the welfare of vulnerable people, but has limited staff and budget, and requires support to	It is recommended to strengthen the existing KP forums on Social Protection, RTI, RTS, Status of Women and others in order to include the vulnerable groups for promoting equity and inclusion. Specifically, capitalizing upon GPP's efforts of improving citizens engagement, GRM systems and efficiency, this Program can become more inclusive and responsive towards the vulnerable people. Social Protection Reforms Unit can benefit by becoming an Authority, with designated budget and manpower in ADP, so that it can provide the services and protection it is mandated to, with limited donor support (if at all). A gender assessment should be conducted in order to inform the Program on the baseline of women taxpayers, the issues and challenges they face in taxation compliance, and for making a case for exemptions for the vulnerable women.

	Violence on the floor of the provincial assembly for approval. Provincial Commission on Status of Women Act 2016 has also been enacted, and setup in Peshawar, with offices in districts across KP. The Commission has been constituted and given an autonomous status for effective and improved performance, efficiency and responsiveness, to provide effective services for promoting women rights and to eliminate all forms of discrimination against women and for matters connected therewith. Under the Local Government Act of 2013, Village and Neighborhood Councils are to be set up across all districts and tehsils of the KP province. Their membership includes representation of vulnerable groups to a certain extent. A Social Protection Reform Cell was set up in the Sustainable Development Unit of P&DD by ILO with the support of JICA and GIZ, in order to assist vulnerable groups against external shocks. Single Window Services were proposed in order to inform citizens of all the social protection programs and services the GoKP has to offer. Right to Services Commission has been set up in KP under an Act to facilitate improved service delivery of 21 services for the citizens. The Commission receives complains and grievances and coordinates with the service delivery agencies to provide relief to the citizens.	mobilize enough resources to set up SWS across the province. RTS Commission with support from GPP has ample capacity to deliver its mandate, and is working diligently to improve the service delivery and outreach to citizens across KP.	

G. **Core Principle 6 - Social Conflict**

68. As indicated below, and in greater detail in annex 3, the assessment of program systems under this principle determined that there are Provincially Administered Tribal Areas (called PATA districts) in KP which remain exempt from most provincial taxes under the Excise and Taxation Department. Also, given the Federally Administered Tribal Areas (which were exempt from all taxes) merger with KP, introducing taxation in these two areas abruptly can cause social conflict. Recently merged FATA districts, as well as PATA districts remain exempt from all sorts of taxes, and the current KP government plans to keep it so for at least 3 years. Expanding GSTS to these districts and areas will need careful planning, and a phased/transition approach, to avoid social conflict and distress. As of now, little information is available on future taxation plans for these areas, with a high chance that they will remain exempted until general elections are organized and conducted for these areas. Also, entire infrastructure for revenue collection has to be extended to these areas which is complex in the absence of basic government functionalities (like municipalities, courts, water and sanitation services, etc.). The Program also intends to target ADP funds allocated to unapproved projects under DLI 7 which may pose a conflict between politicians and administrative agencies. Most often, such allocations happen usually due to pressures from parliamentarians on government officials to include projects in their constituencies in the ADP, regardless of the lack of evidence-based rationale or preparation of these projects. Removing such allocations without consultations and engagements can cause conflicts and resentment.

69. In terms of program capacity, the main findings conclude that with the exception of PATA and recently merged FATA districts, there are formal conflict resolution platforms available across the province in the shape of elected Village and Neighborhood Councils. These Councils provide effective forum for out-of-court (and Police Stations) amicable settlement of disputes by constituting panels of members as conciliators. Every Village and Neighborhood Council comprises of ten to fifteen members on the basis of population with some reserve seats for women, peasants/workers, youth and minorities. There are GRM platforms at the provincial level such as KP Grievance Redressal System, e-complaint and Provincial Ombudsmen office, which serve the citizens at large. In addition, there are almost 11 individual GRM present across departments (including one in KPRA), but these are not integrated with the Provincial level GRM, hence increasing efforts on the departments' part to keep checking the central GRM as well as respond to their own System.

70. Also, there are no platforms for resolving conflicts within departments, except for the cabinet, provincial assembly and assemblies elected under the multi-tiered Local Government institutions at the district level. These assemblies may not cater for interdepartmental conflicts or for conflicts within elected and administrative setups as perceived under this Program. Also, there are no platforms available for government employees to file a complaint against their own superiors or against the departmental policies. Government servants are reluctant to file such complaints due to fear of repercussions (such as hindrance in promotions, chance of being transferred into unpopular positions and areas, undue victimization by superiors, negative publicity amongst colleagues, etc.). In extreme cases, government servants go to civil courts for dispute resolution which is cumbersome and expensive, barring entry to low scale, lower grade employees.

71. **Recommendations:** Based on the gaps identified through the assessment, the ESSA Team recommends:

  a. Conduct social risk assessment based on inclusion and equity for PATA and of former FATA districts; The assessment will be carried out in order to assess the vulnerability, impediments and susceptibility of the people of PATA and former FATA to income shocks due to introduction of taxation. The study will also inform the Program on the effectiveness of phased approach of taxation, types of taxes and non-taxes with high resource mobilization

potential without affecting the vulnerable, and also on exemptions if any. This recommendation is a part of another PAP recommendation of conducting an infrastructure (public investment needs) survey for PATA and of former FATA district, to inform the Program about the kind of investments required there. Based on this survey, a multi year investment plan will be developed for the same areas to equip them to roll out the taxation regimes. The social risk assessment is a part of this overall survey, and will inform this multi year investment plan on vulnerability to introduction of taxation, and on mitigation measures to improve their resilience.

b. Integrate multiple GRM's into a single provincial level GRS; There are currently efforts underway through the GPP on the same. This Program will work through the GPP established platforms to add value, and bring transparency and confidentiality to the grievances filed and the complainant.

Table 6: Core Principle 6 – Social Conflict

Core Principle 6: Avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.		
Key Elements	**System Requirements**	**Key Findings**
Considers conflict risks, including distributional equity and cultural sensitivities	KP government has put in place GRM systems at the provincial level, which are online and can be accessible by any individual. KP Government portal allows filing complains by any aggrieved individual and is housed under the Chief Secretary's office. In addition, service delivery departments have their own GRM in place focusing on their own performance. Also, Provincial Ombudsman Office is mandated to receive and resolve complains against any public institution, and has a user friendly system in place. There are Village and Neighborhood Councils across all districts of KP to help resolve conflicts out of courts and Police jurisdiction.	There are multiple GRM platforms at the provincial level such as KP GRS, individual GRM of service delivery departments, and Provincial Ombudsmen office, which serve the citizens at large. However, these are not integrated, hence increasing the response time, with a chance of a 'slip' due to multiple systems. Also there are no platforms for resolving conflicts within departments, except for the elected assemblies under the multi tiered Local Government institutions at the district level. These assemblies may not cater for interdepartmental conflicts or for conflicts within elected and administrative setups as perceived under this Program. Also, there are no platforms available for government employees to file a complaint against their own superiors or against the departmental policies.

IV. **DISCLOSURE AND CONSULTATION**

A. **Disclosure**

72. This draft ESSA is being disclosed in-country and on the World Bank's external website, prior to formal appraisal of the relevant PforR, to serve as the basis for discussion and receipt of formal comments. A public multi-stakeholder workshop on this ESSA and the PforR has taken place on 23 October 2018 at Peshawar. A round of consultations with the implementing agencies and other government departments was held prior on 19th October. Following incorporation of the feedback received from these workshops and other sources, the revised ESSA will be disclosed in-country and on the World Bank's external website.

B. **Stakeholder Consultations**

73. In addition to the formal Bank-sponsored multi-stakeholder workshop that was held in Peshawar on 23rd October, 2018, the Bank has and will continue to engage in other formal and informal consultations as needed prior to finalization of this ESSA and the PforR. Multiple meetings, interviews and checklists were used to gather information from the project affected people, implementing agencies and other members of the civil society to identify and validate the risks mentioned in earlier sections of this ESSA, and to agree upon the mitigation measures.

74. This sub-section highlights important consultations conducted during the process, and the following sub-sections summarize major findings and recommendations received. Consultations and meetings with key relevant stakeholders at the regional and local levels, particularly with those involved in environmental and social assessment and management as well as planning, implementation and monitoring of the program were conducted as follows:

(a) An institutional consultation to identify and initiate preliminary risks with the implementing agencies was held in Peshawar on 8 March 2018. A checklist was used to ascertain positive impacts and risks against Core Principles 5 and 6. Meetings were held with FD, KPRA, P&DD, ETNCD, and EPA.

(b) A second round of consultation with the same agencies along with BOR, LG, MMD and a few civil society members was held on 12 April 2018 in Peshawar. These were individual meetings to validate risks identified through desk reviews of institutional social management capacity and associate social management system.

(c) A joint meeting was held with FD and ETNCD to validate relevant recommendations and to plan for a stakeholder workshop.

(d) A final institutional consultations workshop was held on the 19th of October 2018 with the representatives of all the implementing agencies IAs (FD, KPRA, ETNCD, KPRA, BoR, ST&IT, KPITB) including concerned IT personnel.

(e) The World Bank subsequently held a multi-stakeholder workshop on the proposed program in Peshawar on 23rd October 2018. (See Summary below.)

C. **Summary of Multi-Stakeholder Workshop**

75. The Bank-sponsored multi-stakeholder workshop in Peshawar on 23rd October was attended by a total of 22 stakeholders from government, local government, academia, the private sector, and civil society. Participants included representatives from:

    a. KP Chamber of Commerce and Industries

    b. KP Women Chamber of Industries

    c. KP Small Businesses Chamber

    d. Peshawar Hotel owners and Trader Association

    e. Traders Union, Peshawar

    f. Central Traders Union KP

    g. Right to Information Commission KP

    h. Chief Secretary's Cell on Citizens Grievance Redress System

    i. Social Welfare and Women Empowerment Department

    j. Institute of Management Sciences

76. Major points raised by the participants can be summarized as follows:

    i. *E-waste and Implementing Agencies' Procedures and Systems to Manage E-waste:* The participants were informed that the procured new IT equipment to be used for the implementation of the Program is expected to result in the generation of electronic waste upon end of life service. While the above-generated e-waste could be insignificant, the implementation of future similar government programs with the expected increase in demand for e-equipment could be significant. This would warrant the need for safe management and disposal of such waste to avoid associated negative impacts on environment and human health. All stakeholders agreed that managing e-waste in an environmentally sound manner would help Pakistan protect its own population health and environment. In the absence of e-waste specific national polices, it was agreed that the IAs develop own internal procedures based on best international practices and health and safety guidelines. It was also agreed that the IAs maintain records and inventory of discarded IT equipment and forward these records regularly to EPA to include in the province e-waste database to support the development of pertinent provincial e-waste regulations. Alternatively, it was also suggested that such data could be sent to the KP IT board, which would serve as an interface between the IAs and EPA- KP.

    ii. *Vulnerable Groups and Taxation:* Various participants raised their concern on issues of double/multiple taxation regimes disproportionately affecting the low income poor women, elderly, minorities and labor. Recently merged FATA and PATA districts remained a focus as participants advised caution on roping these communities into the tax net. A phased approach was advised. Rent seeking by tax authorities especially from illiterate, street hawkers, was highlighted. Risk and vulnerability assessments were advised in order to establish correct

baselines on numbers of vulnerable groups, their geographical presence and tax implications on these groups. Exemptions for the same were advised.

iii. *Small Businesses:* Small businesses were vocal about indiscriminate taxation where some of them end up paying six different taxes on multiple accounts. Rent seeking and corruption was also reported by the representatives from such trades and businesses. Selective tax targeting (urban, central areas getting more attention by tax authorities than remote, lesser visited areas) was also reported. Lack of consultations, engagements by tax authorities, and the resultant tax deficit was highlighted as a cause of non-compliance especially on GST. Lack of information on total tax revenue generation, allocation and utilization was reported as another impediment for improved compliance. Improved communication campaigns, citizens forum on taxes, kiosks in major commercial areas explaining the taxation regime and utilization were some ways suggested to improve the trust deficit. Additionally, a flat rate of tax was proposed for smaller businesses based on size and assets, along with incentives/rebates for the same in order to join such a tax regime.

iv. *Gender:* Women Chamber of Commerce representatives were vocal about impediments to women entrepreneurs in joining the productive, formal economy. This was mainly attributed to lack of awareness and knowledge of women in rural areas (involved in cottage industries, etc.) of avenues towards productive, formal business regimes. Illiteracy and lack of skill improvement were also cited as problems impeding women-based enterprises to become effective businesses, to contribute to improved revenues. The Chamber demanded a special policy on GST for women entrepreneurs/service providers, describing many of them as vulnerable (widows, single mothers, middle aged unmarried women). Moreover, if the number of taxpayers justify, dedicated TFC's for women should be established (sex disaggregated taxpayers data will be required for this).

v. *Interdepartmental Disputes and Multiple GRM:* Participants validated the ESSA findings on lack of formal platforms for resolving conflicts within departments, or for complaints government servants have against their own departmental hierarchy. A complaint mechanism is absent within the provincial government system which would ensure tolerance, encourage complains filing, without repercussions on complainant due to filing of complains. Participants also agreed that multiple GRM's are operational within the administrative set up, with almost 10 to 11 systems established across departments. However, these are not integrated to the central platform manned by the Chief Secretary's Office. An initiative is under way under the auspices of the Governance and Policy Project of GoKP, supported by the World Bank, which aims to integrate these GRM's into a single system.

D. **Summary of Other Consultations**

77. During additional consultations mentioned above, important input regarding the following issues was also received:

i. *Social Management System:* Consultations and meetings were held with all implementing agencies and other relevant departments were held to ascertain and understand the current social management system vis-à-vis laws and regulations is in place. This information was sought to learn about the policy and legislative framework which could help respond and mitigate the social risks associated with the Program. Moreover, information on institutional setups to manage the social effects of the Program was also gathered using these consultations.

ii. *Social Management Capacity:* Similar to the above, consultations and meetings with the agencies also helped assess the existing capacity of the departments and agencies to manage the social risks identified by the ESSA Team. Details on both are provided in Annex 2.

iii. *Other Projects and Initiatives:* Consultations with FD and P&DD also revealed other similar initiatives which can be relevant to implementation of KPRMPRM ESSA recommendations. Two such noteworthy initiatives are the Governance and Policy Project (being implemented by FD and P&DD) and Social Protection Reforms Unit housed within the Sustainable Development Unit of P&DD. Under both these initiatives, citizens facilitation, engagement, identification and targeting of vulnerable groups, integration of multiple GRM and other similar actions are underway.

V. INPUTS TO THE PROGRAM ACTION PLAN

A. Introduction

This section summarizes the measures that the ESSA Team recommends be taken during Program implementation to address important gaps identified above between the Program system and the PforR core principles and key elements as well as to address any capacity shortcomings.

As noted in Section III, the ESSA identified the following issues as needing additional action:

(a) **No specific legal provisions are available for e-waste management.** Currently, regulations on e-waste management is lacking in the province and in the country. Furthermore, the implementing agencies do not have any rules/ procedures for the safe disposal of end of life IT equipment. Also, the IAs do not have contractual policy for vendors buy-back of the procured IT equipment. .

(b) **Inadequate legal and regulatory system for land acquisition and resettlement**: Land Acquisition Act 1894 does not allow compensations for any economic displacement of encroachers and titles. This is a major gap between WB requirements and the country systems.

(c) **A procedural gap in planning and development of Projects vis-à-vis vulnerable people**: Government departments are not required under operational procedures to consult vulnerable groups (low income, slum dwellers, landless, ethnic and religious minorities, elderly, disabled, women, etc.) for their inputs while designing and developing interventions that can have perceivable impacts on them, unless they are large scale infrastructure projects. Even in those cases, consultations are cursory and more procedural than participatory, feedback seeking, for design improvements.

(d) **Adequate internal institutional dispute resolution system was not found:** There were no formal platforms reported for resolving conflicts within departments, or for complaints government servants have against their own departmental hierarchy. A complaint system for government servants which would ensure tolerance, encourage complains filing, and have no repercussions on complainant due to filing of complains, is absent.

(e) **Lack of Integration within multiple GRM Systems:** There are multiple GRM's operational with the administrative set up, with a central online Provincial GRM housed under the Chief Secretary's Office. However, this central platform is not integrated with the individual departmental level GRMs which leads to increased efforts to man both systems with limited human resources. Hence the risk of increased response and resolution time for a particular complaint increases many fold.

The recommendations and proposed actions are described in detail below.

B. Recommendations to be Included in the PAP.

1. Recommendation 1: Conduct social risk assessment based on inclusion and equity for PATA and of former FATA districts

The assessment will be carried out in order to assess the vulnerability, impediments and susceptibility of the people of PATA and former FATA to income shocks due to introduction of taxation. The study will also inform the Program on the effectiveness of phased approach of taxation, types of taxes and non-taxes with high resource mobilization potential without affecting the vulnerable, and also on exemptions if any. This recommendation is a part of another PAP recommendation of conducting an infrastructure survey (public

investment needs) for PATA and of former FATA district, to inform the Program about the kind of investments required there. Based on this survey, a multi year investment plan will be developed for the same areas to equip them to roll out the taxation regimes. The social risk assessment is a part of this overall survey, and will inform this multi year investment plan on vulnerability to introduction of taxation, and on mitigation measures to improve their resilience.

2. **Recommendation 2:** Assess social and environmental practices, risks and impacts while assessing revenue potential of Mines and Minerals Department

As mentioned in Section II-E of this ESSA, on social risks associated with Results Area 1, the Program intends to explore revenue potential in the Mines and Minerals sector, and intends to conduct an assessment on the same. Noting that current mining practices are antiquated, harmful, exploitative and pollutive in nature, the study would look at improving current processes and practices for maximizing revenue generation efficiency and associated environmental and social impacts. The assessment will include a detailed environmental and social assessment (ESA) of mining practices currently prevalent. All future investments by the Bank in the sector in KP (if any) will be guided by this ESA, to ensure environmental sustainability, good industry practices, OHS, and labor practices.

3. **Recommendation 3:** Ensure each Tax Facilitation Center (TFC) has at least one female staff and designated female sanitation facility

Given that joint TFCs do not yet exist in KP and that there are female tax payers across KP, the planned and existing TFC's must cater for the needs of women, in order to facilitate them amicably without harassment and impediments. Joint TFCs are to be established in existing buildings, noting GoKP maintains a quota for hiring female employees across its establishment, which is 20% of the workforce. Hence the ratio be maintained as the workforce of TFC increases with the rise of number of taxpayers especially women.

4. **Recommendation 4:** Implement mechanism for proper management of E-Waste

Implementing agencies would need to develop internal rules and procedures pertinent to IT equipment e-waste handling taking to account the Good International Industrial Practices (GIIP) and the World Bank Group EHS Guidelines. Implementing agencies through the ministry of Finance would also need to consider green procurement as part of IT equipment procurement contact provisions. Implementing agencies should also maintain records of end of use equipment and send to KP EPA-KP on regular basis to enhance its database on e-waste in support of pertinent provincial e-waste regulations. The e-waste issue in KP including e-waste regulations could also be addressed through other World Bank projects including the Pakistan Revenue Mobilization Project (P165982) and the Khyber Pakhtunkhwa Cities and Digital Transformation Project (P167230).

5. **Recommendation 5:** Conduct a gender analysis of existing tax and property mechanisms to examine whether they are progressive or regressive on women.

This would entail evaluating the incidence of direct/indirect taxes on women owners of businesses; assessing the existing tax exemptions for vulnerable women (widows, sole earners); exploring women's existing information/knowledge base of taxing instruments, property rights, fund allocations and investments.

78. The Table 8 below presents the actions that the ESSA Team recommends be included in the Program Action Plan (PAP).

Table 7: Recommended Inputs for PAP

#	Action	Responsible Agencies	Timeline	Estimated Cost (US$ million)	Progress Indicator	Output/Target Values
1	Conduct social risk assessment based on inclusion and equity for PATA and of former FATA districts	P&DD	27 Dec 2019 (Date of Completion and submission)		TORs approval; submission of reports	
2	Assess social and environmental practices, risks and impacts while assessing revenue potential of Mines and Minerals Department	MMD	30 June 2020 (Date of Completion and submission)		TORs approval; submission of plan to the Bank	
3	Ensure each Tax Facilitation Center has at least one female staff and designated female sanitation facility	KPRA, ETNCD, BOR			Third Party verification	
4	Implement mechanism for proper management of E-Waste	FD, KPRA, ET&D, BoR, ST&IT, KPITB			e-waste disposal procedures developed Records reporting system developed	Internal rules and procedures for e-waste disposal Records of end-of-life IT equipment produced for potential use of EPA-KP
5	Conduct a gender analysis of existing tax and property mechanisms to examine whether they are	P&DD				

#	Action	Responsible Agencies	Timeline	Estimated Cost (US$ million)	Progress Indicator	Output/Target Values
	progressive or regressive on women.					

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ANNEX 2: Description of Environmental and Social Management System & Capacity and Performance Assessment

A. Introduction

1.   This section describes the existing environmental and social management system of the institutions applicable in the implementation of the proposed program. It provides an overview of the policy and legal framework and a profile of the roles and responsibilities of institutions involved in the environmental and social assessment and management.

2.   The Governments of Pakistan and of KP have enacted a range of laws, regulations, and procedures relevant to managing the environmental and social effects of the proposed Program. From a legal, regulatory, and institutional perspective, the applicable environmental and social management systems are adequate with some gaps relevant to the risks posed by this Program.

3.   The following criteria were used to select the relevant legislation that best describes the country's system for managing the Program's effects:

- environmental policies;
- environmental and social protection laws; and
- laws, regulations, or guidelines in the relevant sectors and subsectors that provide relevant rules or norms for environmental and social management.

VII. Environmental Management System

1. Policy and Legal Framework

4.   The below paragraphs present a review of selected policies, laws, and regulations of relevance to the management of environmental issues under the Program. Related gaps are also identified along with pertinent recommendations for potential future further action.

5.   The National Environmental Policy (NEP) was enacted in 2005 to provide an overarching framework for addressing Pakistan's environmental issues. It provides directions for addressing sectorial issues and provides a mean for promoting conservation and environmental protection in water, air, waste management, forestry, and transport. The NEP promotes the protection of environment, the honoring of international obligations, sustainable management of resources and economic growth.

6.   Pakistan Environmental Protection Agency (Pak-EPA) was established under section (5) of Pakistan Environmental Protection Act, (PEPA) 1997. The basic functions of Pak-EPA are to enforce the PEPA-1997 Act, rules & regulations, carry out Environmental Impact Assessment (EIA) and Initial Environmental Examination (IEE). Pak-EPA is mandated to prepare or revise and establish the National Environmental Quality Standards (NEQS) with approval of Pakistan Environmental Protection Council (PEPC); take measures to promote research and the development of science and technology which may contribute to the prevention of pollution, protection of the environment, and sustainable development and guidance to the public on environmental protection affairs.

7.   The national and provincial environmental protection aspects are governed by: Pakistan Environmental Protection Act (PEPA), 1997; Punjab Environmental Protection Act, 1997 Amended 2012; Khyber Pakhtunkhwa Environmental Protection Act 2014 (KPEPA 2014); Baluchistan Environmental Protection Act 2012 and Sindh Environmental Protection Act 2014. These Acts are applicable to a broad range of issues including socioeconomic aspects, land acquisition, air, water, soil, marine, noise and hazardous waste among others.

8. After the 18th amendment in 2010, the Pak-EPA delegated the power of review and approval of environmental assessments to the provincial EPAs. Geographical areas lying outside the provinces but within the administrative boundaries of Pakistan are covered by PEPA 1997.

9. Section 12 (1) of the Environmental Protection Act (Pak-EPA), 1997 requires that "No proponent of a sub-project shall commence construction or operation unless he has filed with the Federal Agency an Initial Environmental Examination (IEE) or, where the subproject is likely to cause an adverse environmental effect, an Environmental Impact Assessment (EIA), and has obtained from the Federal Agency approval in respect thereof."

10. In pursuance of the 1997 Act, the Federal EPA, in 2000, notified the IEE/EIA Regulations. The IEE/EIA 2000 establish the framework for the preparation, submission, and review of the IEE and EIA. The regulations categorize development projects for IEE and EIA into two schedules (Schedules I and II). Schedule I includes projects where the range of environmental issues is comparatively narrow, and the issues can be understood and managed through less extensive analysis. Schedule II covers major projects that have potential significant adverse environmental impacts.

11. Section 13 of the Environmental Protection Act (Pak-EPA), 1997 on the "Prohibition of Import of Hazardous Waste" require that: - No person shall import hazardous waste into Pakistan and its territorial waters, Exclusive Economic Zone and historic waters.

12. Section 14 of the Environmental Protection Act (Pak-EPA), 1997 on "Handling of Hazardous Substances "state that: Subject to the provisions of this Act, no person shall generate, collect, consign, transport, treat, dispose of, store, handle or import any hazardous substance except;

13. Under a license issued by the Federal Agency and in such manner as may be prescribed; or

14. In accordance with the provisions of any other law for the time being in force, or of any international treaty, convention, protocol, code, standard, agreement or other instrument to which Pakistan is a party.

15. Hazardous Waste and Hazardous Substances Draft Rules, 2016 under the 1997 Act lay the principle for dealing with hazardous substances in according with the provisions of the national and provincial environmental protection acts. It includes a list of hazardous chemical and substances in annexes and provides thresholds based on toxicity and physical and chemical properties (Schedule I) as well as quantities that can be stored in a specific site (Schedule III). It requires institutions dealing with hazardous substances to be licensed by relevant EPAs. The Rules also make it mandatory for the licensee to have emergency plans for possible accidents and stipulate at least one rehearsal in a calendar year. However, these rules are bending notification by Pak-EPA.

16. The "KP Environmental Protection Act, 2014" was passed by KP provincial assembly on 25 November 2014. The Act is applicable to environmental parameters such as air, water, soil, noise pollution and handling of hazardous wastes. The Act also provides the framework for protection and conservation of species, wildlife habitats and biodiversity, conservation of renewable resources, establishment of standards for the quality of the ambient air, water and land, establishment of Environmental Tribunals and Penalties, appointment of Environmental Magistrates, Initial Environmental Examination (IEE) and EIA approval.

17. Section 14 of the KP Environmental Protection Act, 2014 on "Prohibition of import of hazardous waste" state that - No person shall carry, import, bring, transport or deliver hazardous waste or cause to carry, import, bring, transport or delivery of hazardous waste into the territorial jurisdiction of the Province of the Khyber Pakhtunkhwa.

18. Section 15 of the KP Environmental Protection Act, 2014 on "Handling of Hazardous Substance" requires that, "Subject to the provisions of this Act, - No person shall generate, collect, consign, transport, treat, dispose of, store, handle, or import any hazardous substance except: (a) under a license issued by the KP EPA and in such manner as may

be prescribed; or (b) in accordance with the provisions of any other law for the time being in force, or of any international treaty, convention, protocol, code, standard, agreement, or other Instrument to which Pakistan or province of the Khyber Pakhtunkhwa is a party."

19. The "Environmental Protection Order" of KP Environmental Protection Act, 2014 stipulate that.--- (1) Where the Agency is satisfied that the discharge or emission of any effluent, waste, air pollutant or noise, or the disposal of waste, or the handling of hazardous substances, or any other act or omission is likely to occur, or is occurring, or has occurred, in violation of the provisions of this Act, rules, notifications and guidelines or of the conditions of a license or permit or environmental approval , and is likely to cause, or is causing or has caused an adverse environmental effect and violation of Khyber Pakhtunkhwa Environmental Quality Standards, the Agency may, after giving the person responsible for such discharge, emission, disposal, handling, act or omission, an opportunity of being heard, by order direct such person to take such measures that the Agency may consider necessary within such period as may be specified in the order.

20. KP Environmental Protection Act, 2014 on Section 18 specifies the Penalties for non-compliance with Section 14 and 15 on hazardous substances and waste.--- (1) Whoever contravenes or fails to comply with the provisions of section 14 or 15 or any rule or regulation or conditions of any license, any order or direction issued by the Council or by the Federal Agency or Provincial Agency shall be punishable with fine which may extend to one hundred thousand rupees, and in case of continuing contravention, or failure with an additional fine which extend to one thousand rupees for every day during which such contravention continues.

21. The lack of adequate e-waste-specific regulations coupled with the growing use of ICT and potential emergence of private e-waste recycling enterprises would urgently warrant related actions to regulate this sector and mitigate e-waste associated negative environmental and health impacts. Hence, current regulations need to be further amended in this respect to ensure adequate compliance with e-waste management best practices as stipulated by relevant environmental multi-lateral agreements (MEAs) including Basel, Stockholm and Minamata Conventions among others.

2. Institutional Framework

22. The following are the institutions involved in the management of the environmental effects of the program, with a description of their background, mandate, and overall organization. The capacity of these institutions is assessed in the following sub-section.

23. Six agencies are involved in the implementation of this Program including: 1) Finance Department (FD); 2) Excise, Taxation and Narcotics Control Department (ETNCD); 3) KP Revenue Authority (KPRA); 4) KP Board of Revenue (BOR);5) KP Information Technology Board (KPITB; and 6) Local Government Department. Section 2 provides a description of the mandate and overall organization structure for each of these agencies. KPRA will be responsible for procuring the computers and other IT equipment under this program. However, all implementing agencies, including KPRA, will utilize the procured ICT equipment for the purpose of implementing their respective interventions under the Program (see Section x and Y for the agencies'' respective role/responsibility). As for the IT related capacities in the context of managing the resultant e-waste, only those of KPRA and ETNCD will be assessed. KPRA and ETNCD have dedicated IT directorates and units for IT services and will be heavily involved in the development of the data integration and tax facilitation processes. The conclusions drawn from this assessment would benefit and apply to the other agencies, particularly in terms of managing the IT related e-waste. In addition to KPRA and ETNCD, the Environment Protection Agency's capacity, being the environmental regulator for the KP province will also be assessed with regard to the management of the e-waste issues associated with this program.

a. KP Revenue Authority (Including IT Directorate)

24.   Khyber Pakhtunkhwa Revenue Authority (KPRA), as corporate entity, was established under the Khyber Pakhtunkhwa Finance Act, 2013, with the mandate to administer and collect Sales Tax on Services. KPRA is governed, with relative autonomy, has been placed under the Excise and Taxation Department to have an interface with the Government. While, the Council acts as Policy Making body chaired by the Chief Minister, Khyber Pakhtunkhwa, and comprising of three (03) Cabinet Ministers for Finance, Law and Excise and Taxation, Chief Secretary, Secretaries of the Finance, Law, Excise, Taxation and Narcotics Control departments and four representatives nominated by the Government from the private sector

25.   The Powers and Functions of the Authority relevant to the Program include implementing comprehensive policies and programs for awareness and facilitation of taxpayers, stakeholders and employees to improve the quality of performance of the Authority as a service oriented entity (I) introduce and maintain a system of accountability of performance, competence and conduct of the employees and establish, with the approval of the Government, a foundation for the welfare of the present and retired employees and their families, and for creating, establishing, organizing and assisting them in the social and cultural facilities;

26.   The Authority is setup as follows:
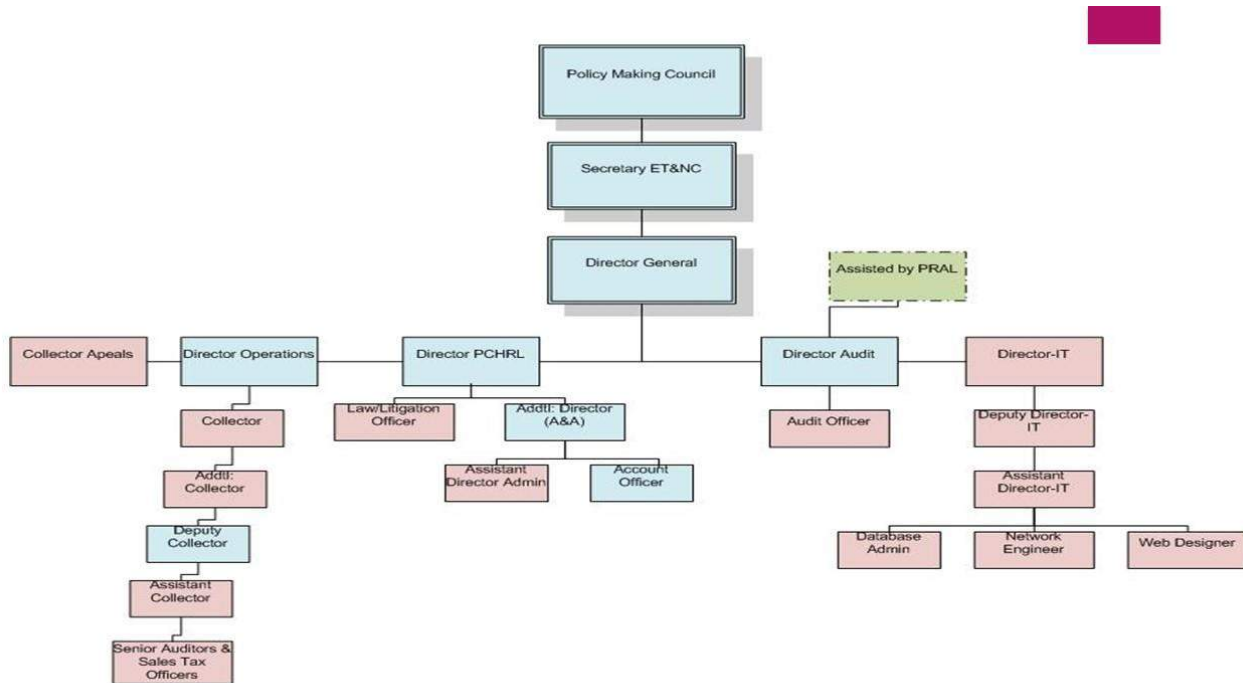
27.   **Directorate of Information Technology:** There is a dedicated IT Directorate (ITD) in KPRA headed by a Director and assisted by two Deputy Directors (Network and Software & Database); who are in turn supported by four assistant directors.

28.   The figure below illustrates the ITD organizational structure in KPRA.
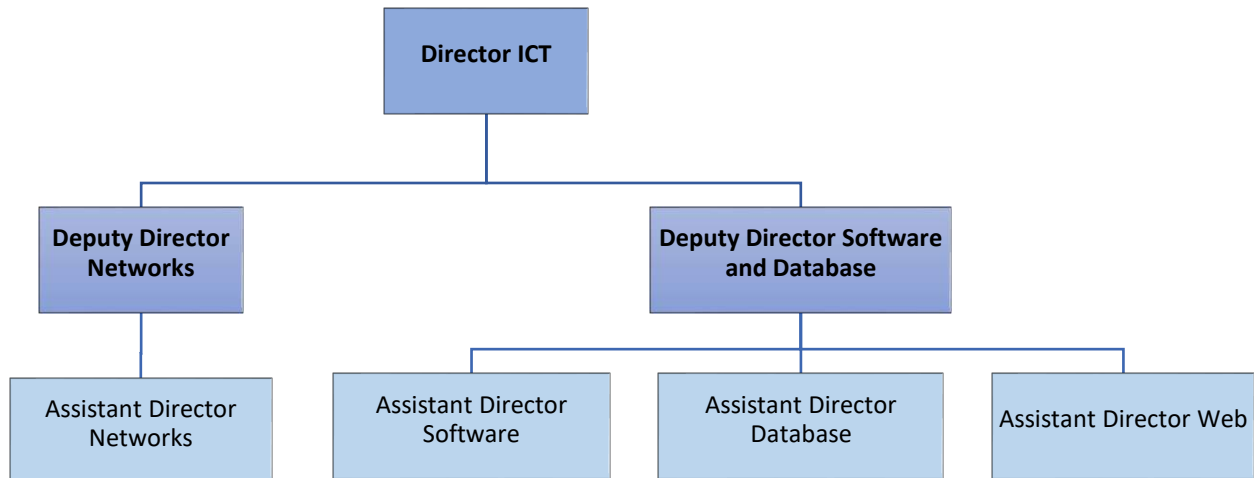
29.   **Functions and Mandate:** ITD is responsible for the following key functions:

- **Planning:** develop an IT strategy that supports the organization's business objectives and helps build a strong competitive advantage.

- **Application Development:** create applications/programs that are specific to the needs of organization

- **Network Infrastructure:** develop and operate a network to support effective communication and collaboration.

- **Data Management:** develop tools to collect, store, manage, secure and distribute data to employees who need access to latest information to make decisions about strategic, financial and operational issues.

- **Security:** must protect the IT infrastructure and corporate data against attacks from viruses, cybercriminals and other threats.

- **Technical Support:** To enable employees to make the most effective use of IT resources

30.   **Key Achievement:** ITD has so far achieved many milestones by completing a number of IT related projects to support the KPRA to fulfill its mandate. Some of these include:

- **Development of Inventory Management System (IMS):** The ITD developed this web-based (http://ims.kpra.gov.pk) IMS to automate KPRA's Stock Register and is operational since April 2018. The system helps in: receipt of inventory item and accordingly issuance to employee; and dedicated reporting panel for management. This system is capable of generating various customized reports including: current stock report; item wise issuance report, Item wise receipt report, Issuance/receipt report, employee wise report.

- **Notice Management System (NMS):** NMS was developed for creating and tracking Notices issued by Inspectors and Senior Auditors to the potential tax payers. The system is web-based and could be accessed through http://nms.kpra.gov.pk . All new notices are being issued through the new NMS which helps tracking and compliance of each notice by date. NMS has a dedicated dashboard and Reporting Panel for Management. As and when required the system generates customized reports including: unit wise report, Inspector wise report, notice type wise report, date wise report, and service provider wise report.

- **Vehicle Management System:** The system developed helps in easy and quick reporting of Vehicle Management, Vehicle Registration, repair and maintenance, and use of oil (POL)

- **Support to FBR Input Claim Exercise:** The IT related support revolves around: conversion of large PDF files to excel and migrated them to local database, raw data cleaning and its due diligence; reconciliation of Imports data that helped reconciliation of more than 1,009 million PKR.

31. **On-going Activities:** At present ITD is working on a number of IT initiatives. Key activities under these include:

- **KPRA Reporting System:** The initiative involves import of PTMS Tax Data from PRAL since year 2013 to year 2018 and has achieved about 40% progress. Once completed it will help in reducing dependency on PRAL for reporting, will produce graphical reporting with on-line access and contributing towards DSS (Decision Support System) for KPRA.

- **In-house Development of RIMS:** Efforts for developing an in-house RIMS is underway for piloting initially in 20 restaurants.

- **ERP Implementation:** ITD also prepared the requirements of ERP in KPRA for which SRS has been prepared. Accordingly, different modules could possibly be produced that include: Finance Module, HR Module, Procurement Module, Fleet Management, Asset/Inventory Management

- **Generic Invoice Management System with IT Board:** ITD is also in touch with KI IT Board for developing a Generic Invoice Management System. It is envisaged to cover:
  - o Complete POS (Point of Sale) software
  - o Dashboard for KPRA Team
  - o Integration with existing systems in restaurants
  - o Offline/online invoice support
  - o Sales Tax on Service calculations on each invoice
  - o Statistical reports for the KPRA Management
  - o Invoices to be saved in KPRA Database

- **IT Network Infrastructure:** ITD is working to establish IT networking infrastructure. Network requirements & Specifications have been finalized on the basis of: one centralized network Infrastructure for the all KPRA Officials; wireless network connectivity of KPRA among various offices; CIR internet service for the KPRA employees for better managing different services. At present, tender document is ready & will be advertised on the availability from the finance department. In addition, hardware equipment that was needed on the urgent basis like Server & UPS is also in process of procurement through GPP.

32. **Future Initiatives:** ITD is also planning to initiate number of projects in future as well. Some of these include:

- Data Warehouse creation and linkages with other Tax Authorities like Board of Revenue & Excise Taxation & Narcotics Control Department.

- One window portal for tax payment

- Geo Tagging of locations like restaurants or other service providers

- E-Court video conferencing links for Appellate Tribunal

- GIS based Survey

- Email & SMS Notification System

- Mobile Applications for Information & Communication purposes to facilitate tax payers

- Centralized File/Document Server

- KPRA Data Center

33. Instructions on E-filing available on website (only in English); E-filing functionality; Regulations on the Authority's function are listed, but not downloadable and a Feedback form is provided on the website of the Authority

34. Generally speaking, KPRA is understaffed. A major HR recruitment plan was introduced in 2017 and 198 positions have been sanctioned. Moreover, pre-service and on-job training have been arranged by donor agencies. Currently KPRA is also being assisted by USAID - KP Governance Project, GIZ - Support to Local Governance and World Bank administered MDTF - Governance Policy Project.

b. Department of Excise, Taxation and Narcotics Control Department (ETNC)

35. The ETNC department has a dedicated IT unit headed by a Deputy Director (BS[18]-18), who is reporting directly to Director General (DG) of the department. The IT unit is supported by three senior IT professionals (BS 17) responsible for IT programming, web development and Net Work engineering respectively. In addition, there is one Computer Operator (B7-17) in each district office and is reporting to district E&T officer. In total there is around 120 approved staff strength of various IT related positions – mostly computer operators (100). Of these about 47 positions are vacant[19]. Apart from shortage of staff (vacant positions); the IT department is facing the challenges of: (i) lack of effective automation; (ii) integration of databases and soft wares. The overall organizational structure of ETNC as well as at the district level is as below.

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[18] Basic (pay) Scale

[19] E&T deptt, presentation to WB Mission.

ORGANIZATIONAL STRUCTURE

Director General (BS-20)

Director Revenue (BS-19)
- Deputy Director (BS-18)
- Deputy. Dir. A/C (BS-18)
- Asstt. Dir. A/C (BS-17)

Director Admin (BS-19)
- Dy. Director (BS-18)
- ETO Excise & Narco: (BS-18)
- Supdt: 1 & 2 (BS-17)

DD IT/ System Analyst/ GIS Specialist (BS-18)
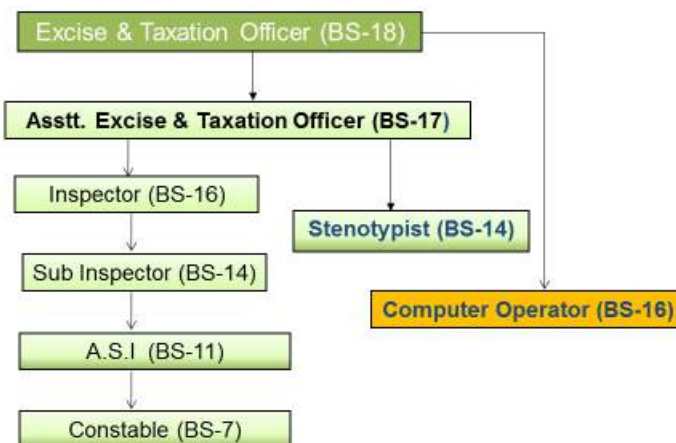- Programmer (BS-17)
- DBA (BS-17)
- Web Develop (BS-17)
- Network Engr (BS-17)

Director Peshawar (BS-19)

Director Mardan (BS-19)

Director Malakand (BS-19)

Director Hazara (BS-19)

Director South (BS-19)

ORGANIZATIONAL STRUCTURE
at District Level

Excise & Taxation Officer (BS-18)

Asstt. Excise & Taxation Officer (BS-17)

Inspector (BS-16)

Stenotypist (BS-14)

Sub Inspector (BS-14)

Computer Operator (BS-16)

A.S.I (BS-11)

Constable (BS-7)

6

b. Khyber Pakhtunkhwa Environmental Protection Agency (KP-EPA)

36. The KP-EPA is the key player for environmental management in the province and is delegated with a wide range of responsibilities as well as powers for ensuring the implementation of the KP- Environmental Protection Act 2014. Its pivotal role as the focal point for the development, implementation and monitoring of environment related tasks makes it a preeminent element of this sector.

37. The agency has been evolved from the one when first its foundation was laid down in 1989 and provincial Physical Planning and Housing (PP&H) was its main governing department. In 1992, it was transferred to Public Health Engineering Department (PHED). In coming years with development in the sector of environment, the KP-EPA was

made a part of the Environment Department. It was originally established under the Pakistan Environment Protection Act, 1997 before the devolution of the Government and currently falls under the department of Forestry, Environment and Wildlife headed by the Secretary.

38. **Organizational Staffing**: Initially, the total number of staff in EPA was 66, out of which eight were technical employees. After June 2003, eighteen new employees were brought on board for field offices / laboratory and zonal offices located in Abbottabad, D.I. Khan and Malakand districts. The current staff strength is 60 which the department claims as insufficient to effectively enforce its mandate. Fifteen employees are working on Self-Sustainable Vehicular Emission Testing Station (VETS) whereas, 64 employees are engaged in other departmental projects.

Organogram of the KP-EPA
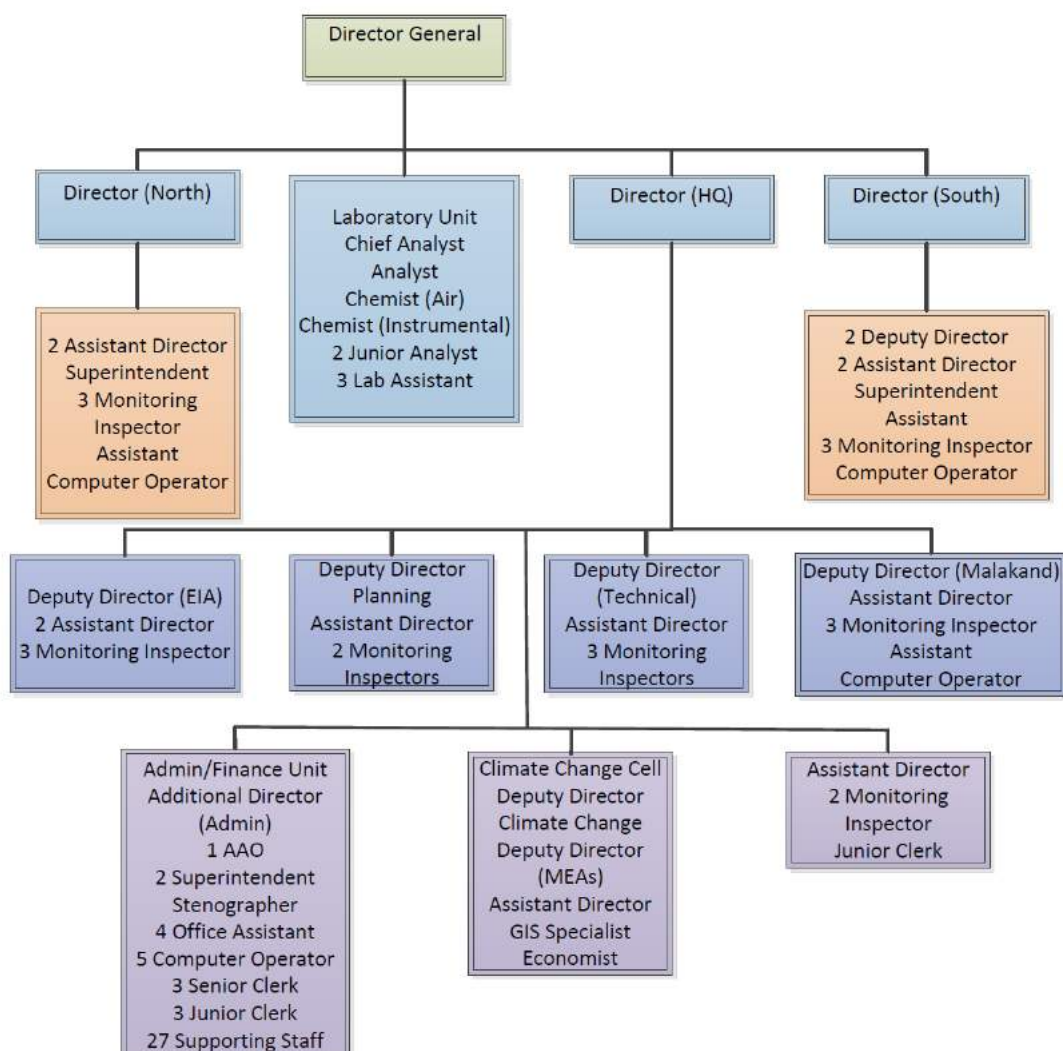
Functions/Mandate of EPA

39. The KP-EPA is inherently a regulatory and monitoring body. The primary focus is towards protection, conservation and rehabilitation of environment as well as fortification of existing systems to enhance the management of valuable natural resources.

Environmental Protection Act of 2014 narrates the core function of the agency as following:

- Preparation and implementation of policies, guidelines and environmental quality standards for Council approval.
- Preparation of Environmental profile reports
- Coordination amongst other governmental and non-governmental bodies
- Provision of assistance to other KP governmental bodies for the climate change adaptation
- Carrying out cost studies and establishment of methods and methodologies for pollution prevention and mitigation
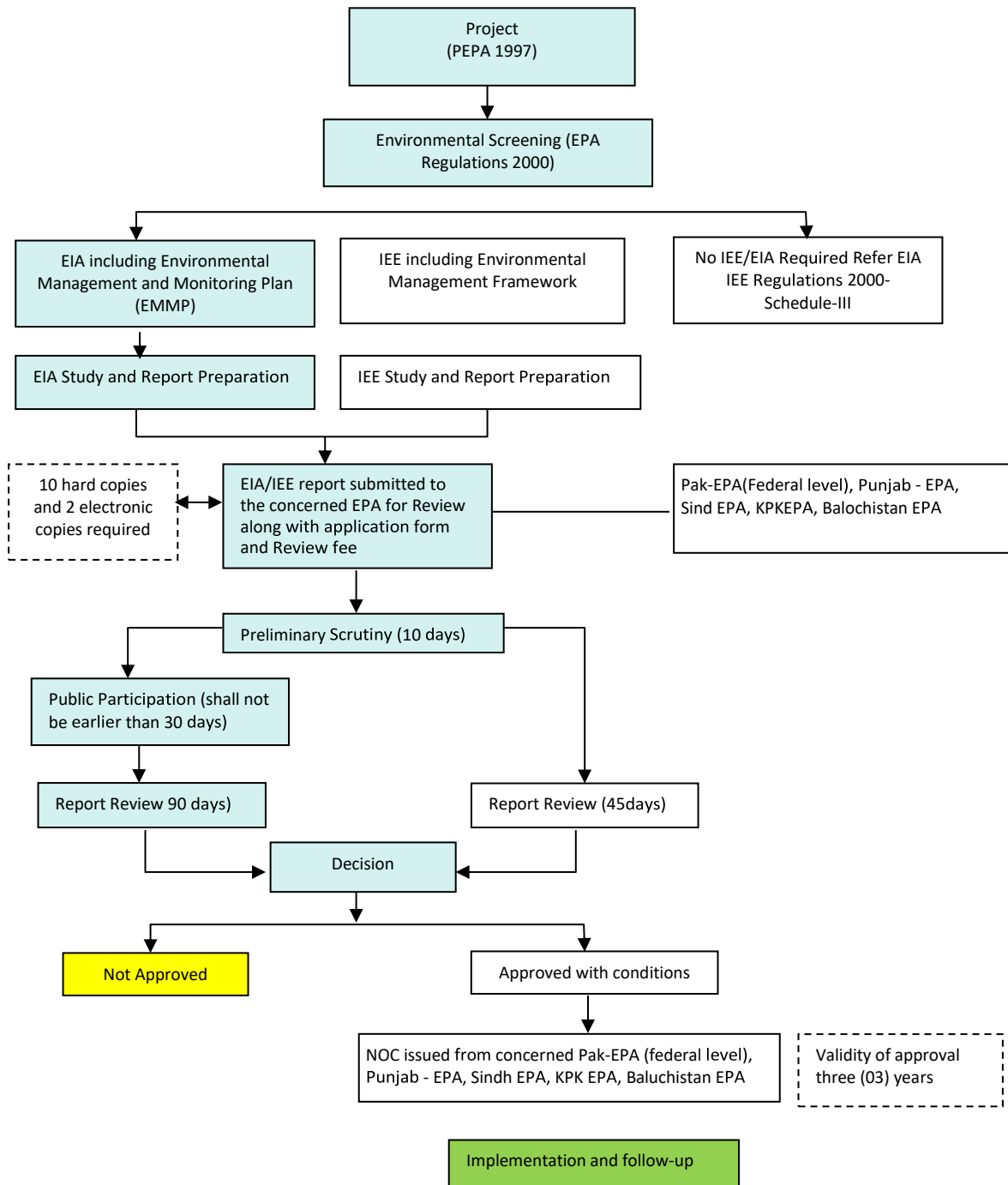
- Environmental monitoring
- Certification of laboratories
- Issuance of license for hazardous waste management
- Initiations of legislations in all sectors of environment
- Provision of advice and assistance for environment related matters
- Provision of help for the government agencies, local councils, local authorities and other persons for proper waste management implementation as per the environmental standards.
- Public guidance and awareness raising
- Specifications development for avoiding man-made disasters and accidents in consultation and coordination with relevant parties for contingency plan preparation
- Reviewing and approving the mitigation plans and provision of assistance to carry out the cleaning operations under the Environmental Protection Act
- Promote NGOs, community and village organizations for sustainable developmental practices
- Undertake tasks as advised by the Council

The Act provides the organization with considerable powers, which include and is not limited to:

- Enter any premises (or surprise visit) for collection of evidence and initiate investigation by collection of samples and seal/seize property or machinery. The Environmental Tribunal or Environmental Magistrate shall provide search warrant.
- Initiate inquiry of any person
- Levy charges/fines or contracts
- Launch a criminal case for encumbrance of official functions
- Have full cooperation of police forces as well as other government agencies/line departments during emergency situations
- Seek help and cooperation of any governmental body with their full support
- Provincial Environmental Co-ordination Committee shall be formed at provincial level to enforce the Act.

EIA Evaluation Process Adopted by KP-EPA

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┌─────────────────────────────┐
│           Project           │
│         (PEPA 1997)         │
└─────────────────────────────┘
                │
                ▼
┌─────────────────────────────┐
│ Environmental Screening (EPA│
│       Regulations 2000)     │
└─────────────────────────────┘
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EIA including Environmental Management and Monitoring Plan (EMMP)	IEE including Environmental Management Framework	No IEE/EIA Required Refer EIA IEE Regulations 2000-Schedule-III

EIA Study and Report Preparation	IEE Study and Report Preparation

10 hard copies and 2 electronic copies required	EIA/IEE report submitted to the concerned EPA for Review along with application form and Review fee	Pak-EPA(Federal level), Punjab - EPA, Sind EPA, KPKEPA, Balochistan EPA

Preliminary Scrutiny (10 days)

Public Participation (shall not be earlier than 30 days)

Report Review 90 days)	Report Review (45days)

Decision

Not Approved	Approved with conditions

NOC issued from concerned Pak-EPA (federal level), Punjab - EPA, Sindh EPA, KPK EPA, Baluchistan EPA	Validity of approval three (03) years

Implementation and follow-up

VIII. Environmental Management Capacity

40. This sub-section summarizes the ESSA team's evaluation of the capacity of the institutions to implement the Program's environmental management system, in particular with regards to e-waste.

41. None of the implementing agencies has adequate capacity to deal with e-waste. Based on the ESSA team consultation and assessment of the IAs capacity on this issue, the present practices are environmentally unfriendly. Old ICT equipment if: (a) still useable and only replenishment/replacement is needed with the new ones then it is passed to lower hierarchy staff for subsequent use; (b) declared discarded at the end of their useful life, then it is placed in the respective entity's common store along with other discarded office equipment (furniture, machinery etc.). The dumped material is then periodically put to auction (through item/weight) by the Administration wing of respective department usually as a one whole lot.

42. The discussions with the IAs staff shows that the terms and conditions of auction do not include any environmental provisions and IAs therefore do not consider their role in keeping track or knowing fate of final disposal of auctioned material. As noted earlier, concerned staff members are not sensitized on the adverse impacts on health and environment resulting from any degradation or accidental damage of ICT equipment.

43. However, the promising aspect is that each entity does have basic capacity in ICT. Every IA has one dedicated IT unit/section with varying level of capacity (available ICT equipment, staff strength, professional skill and academic background). For instance, KP Revenue Authority (KPRA) has a dedicated directorate called Information Technology Directorate (ITD). The directorate is headed by a Director and is supported by two Deputy Directors (Network and Software & Database); who are in turn supported by four assistant directors. In line with its mandate and utilizing its own in-house capacity; the ITD has so far made many IT achievements including: systems development for Inventory management, Notice Management, and Vehicle Management System. Similarly, in other entities the IT units are mainly responsible and mandated to provide day to day IT support; digitizing the systems and procedures; developing applications; maintaining network Infrastructure; and managing data for improved service delivery of the respective entity.

44. Based on the assessment of current capacities of the IAs, the lack of pertinent e-waste rules and procedures pertinent to e-waste disposal was evident. Accordingly, the Program will support IAs' in developing internal procedures and data/ record keeping system for the ICT equipment. The date on ICT e-waste should be compiled in a timely manner and shared with KP EPA for potential utilization in support of the formulation of provincial e-waste regulations. The Program will also support the Implementing agencies capacity-building efforts on e-waste sensitization and awareness .

IX. Social Management System

1. Policy and Legal Framework

45. Below is a review of selected policies, laws, and regulations under relevant for social management under the Program.

(a) The Constitution of Pakistan

(1) Article 38 (c) and the Employees' Old-Age Benefits Act, 1976

46. Government of Pakistan had initially promulgated the Employees' Old-age Pensions Ordinance in 1972. Subsequently, in 1976, this Ordinance was substituted with an act of Parliament, namely Employees' Old-Age Benefits Act, 1976. This social insurance system was started to achieve the objective of article 38 (c) of the Constitution, which is stated as under:

47. The State shall:

Provide for all persons employed in the service of Pakistan or otherwise, social security by compulsory social insurance or other means;

48. The Government has created special social security systems for public-sector employees (where Civil Pension Rules are applicable) that include members of the armed forces, police officers, employees of statutory bodies, local authorities, and railways.

49. Other than these, Government is also managing social assistance programs for the welfare of destitute and needy citizens. Under the Zakat and Ushr Ordinance, 1980, benefits are provided to the poor Muslim citizens of Pakistan while under the Pakistan Baitul Mal Act, 1992 and Benazir Income Support Program Ordinance, 2010 (program was started in 2008), assistance is being provided to all the citizens of Pakistan irrespective of their religion or location.

50. Employees' Old-Age Benefits Act is applicable on all firms (industrial or commercial, including banks) where 5 or more workers, whether contractual or regular, are employed or were employed during past 12 months. The laws remain applicable even if the number of persons employed is subsequently reduced to less than five.

51. As for the benefits, it provides following four types of benefits to insured persons or their survivors:

- Old-Age Pension (or Reduced Pension)

- Survivors' Pension

- Invalidity Pension

- Old-Age Grant (if an employee is not eligible for pension)

52. The Act specifically provides for Survivors' Pension (which is equal to minimum pension) after the death of an insured person in insurable employment for a period of at least three years. If the deceased had become eligible for old age or invalidity pension, the spouse will receive that pension of deceased for lifetime. In case of death of spouse who was receiving the insured person's pension, this pension will be divided among children in equal share, until they attain the age of 18 years (or in the case of girls, before she marries or attains the age of 18 years, whichever comes earlier; however, since July 2010, daughters can receive this pension until their marriage). In case an insured person has not left a spouse or children behind, his parents would be entitled for the survivors' pension for a period of five years.

53. Old-Age Grant is paid to those employees who are not eligible for old-age pension, as they don't meet the requirement of 15 years of contributions. However, if these employees have at least completed 2 years of insurable employment, they are entitled to a lump sum payment of one month of earnings, for each year of insured employment.

(2) **Women Rights**

54. The constitution of Pakistan provides supportive platform to achieve women rights and women empowerment goals as it does not discriminate between men and women. The Constitution of Pakistan has significant human rights content, while human rights concepts can be found from the preamble onwards; there is also a separate chapter on fundamental rights of citizens. A brief overview of relevant constitutional provisions is given below:

- Article 3 calls upon the State to eliminate all forms of exploitation
- Article 4 provides for the right of individuals to enjoy the protection of law and to be treated in accordance with the law. This applies to the citizens as well as "to every other person for the time being within Pakistan". This article also clearly states that certain rights cannot be suspended. Under 8 any existing law or practice,

inconsistent with or in derogation of the fundamental rights, shall be void. It further prohibits the State from enacting any law or policy, in conflict with Fundamental Rights except "any law relating to members of the Armed Force, or of the police … charged with maintenance of public order … for the purpose of ensuring the proper discharge of their duties …".

- Article 25 ensures equality before the law and equal protection of the law and states that there shall be no discrimination on the basis of sex alone.
- Article 26 and 27 provide for equal access to public places and equality of employment in the public and private sectors.
- Articles 11 and 37 (g) prohibit trafficking in human beings as well as prostitution.
- Article 32 makes special provisions for the representation of women in the Local Government.
- Article 34 directs the State to take appropriate measures to enable women to participate in all spheres of national life and community activities. In addition Articles 25(3) & 26(2) allow the state to make special provisions for the protection of women and children.
- Article 35 asks the State to protect the marriage, the family, the mother and the child.
- Article 37 (e) directs the State to make provisions for securing just and humane conditions of work and ensuring that children and women are not employed in vocations unsuited to their age or sex, and for ensuring maternity benefits for women in employment. (The wording of the provision is archaic compared to present thinking on women's rights, but the maternity benefit mentioned in the provision is available to and exercised by women as a matter of right. The issue of women not being employed in "vocations unsuited to their age or sex" was inserted as a guarantee against exploitation and was appropriate for the time and context in which the Constitution was drafted. However, it has not been used to hinder the entry of women in nontraditional areas/ fields of work as is evidenced by the increasing numbers of women entering the uniformed services – the police, army, air force etc.
- Articles 51 and 106 provide for the reservation of seats for women in the legislatures20.

(3) Labor Rights

55. The constitution of Pakistan contains a range of provisions with regard to labor rights found in Part II: Fundamental Rights and Principles of Policy:

- Article 11 of the constitution prohibits all forms of slavery, forced labor, and child labor.
- Article 17 provides for a fundamental right to exercise the freedom of association and the right to form unions.
- Article 18 prescribes the right of its citizens to enter upon any lawful profession or occupation and to conduct any lawful trade or business.
- Article 25 lays down the right to equality before the law and prohibition of discrimination on the grounds of sex alone.
- Article 37(e) makes provision for securing just and humane conditions of work, ensuring that children and women are not employed in vocations unsuited to their age or sex, and for maternity benefits for women in employment.

56. Pakistan's labor laws trace their origins to legislation inherited at the time of partition. The laws have evolved in response to socioeconomic conditions, shifts in governance, state of industrial development, population and labor force expansion, growth of trade unions, level of literacy, and the government's commitment to development and social welfare.

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20 http://wdd.punjab.gov.pk/women_rights

57. Under the constitution, labor is regarded as a 'concurrent subject,' which means that it is the responsibility of both the federal and provincial governments. However, for the sake of uniformity, laws are enacted by the federal government, stipulating that provincial governments may make rules and regulations of their own according to the conditions prevailing in or for the specific requirements of the provinces.

58. The labor laws are a comprehensive set of laws in Pakistan dealing with the following aspects: contract of employment; termination of contract; working time and rest time; working hours, paid leave, maternity leave and maternity protection, and other leave entitlements; minimum age and protection of young workers; equality; pay issues; workers' representation in the enterprise; trade union and employers association regulation; and other laws.

b. Land Acquisition Act, 1894

59. LAA came into force on March 1, 1894. The act aimed to amend the then existing law for the acquisition of land for public purposes and for companies. LAA 1894, as amended from time to time, is the primary law for the purpose of land acquisition in the Province of Khyber Pakhtunkhwa. The Act provides for acquisition of land for public purpose and for companies.

60. While the act is a federal legislation, according to Article 142(c) of the constitution, a Provincial Assembly is competent to amend it. The act (as amended) is applicable to the Province of KP by virtue of West Pakistan (Amendment) Ordinance, 1969. This ordinance continues to be in force in the four provinces in view of the Adaptation of Laws Order, 1975. There is no specific provision in the act for resettlement and rehabilitation of persons displaced as a result of acquisition of their land.

61. The act is broadly grouped into 8 parts comprising 55 sections. The relevant sections are shown in Figure 1 and a brief overview is presented below:

Figure 1. Land Acquisition Process under Land Acquisition Act, 1849
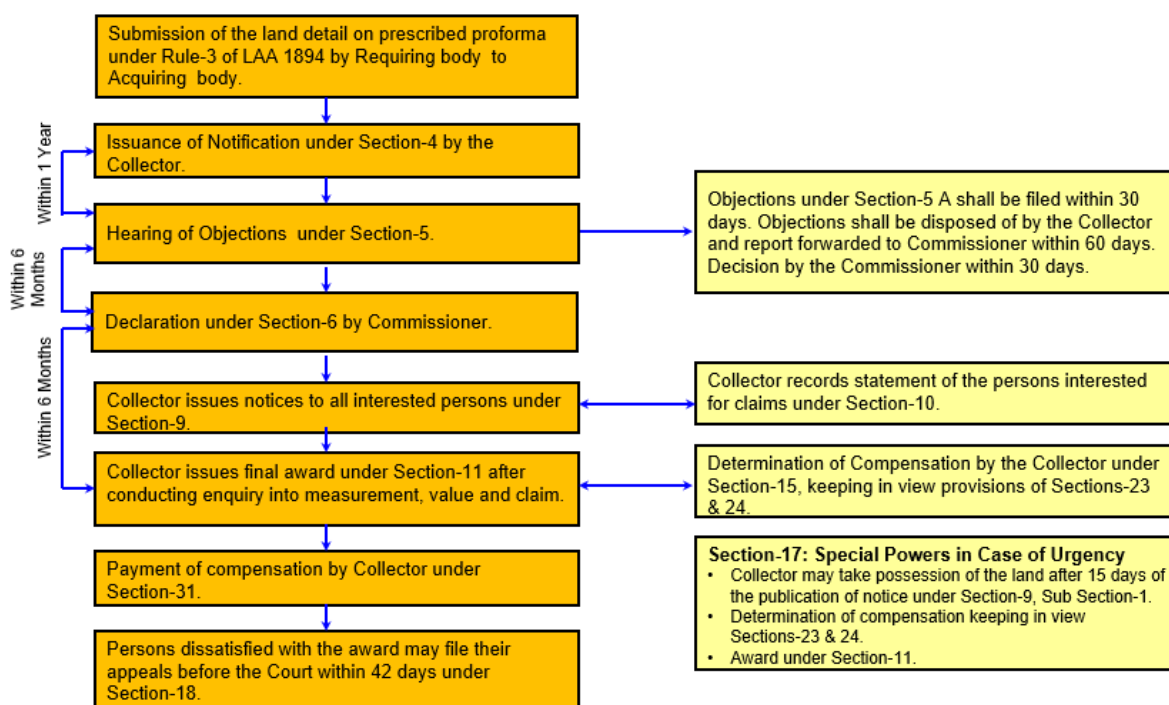
62. In accordance with the act, the legal process is initiated by an application from the government agency that requires the land as it is the requiring body. As land is a provincial issue according to the constitution, the next step is for the provincial government to deem it necessary to acquire the land, after which it takes the actions listed below and in Figure 1.

63. Under Section 4, it causes the publication of preliminary notification that the land is needed for a public purpose. This permits entry, survey, and investigation of the land in question by an authorized government servant so that the authorities can determine whether the land intended to be acquired is suitable for the purpose for which it is needed. Compensation shall be paid for any damage caused by such entry. The process of acquisition must start with a notification under Section 4. It is a condition precedent to the exercise of any further powers under the act.

64. Under Section 5, a formal notification is issued that the particular land is needed for a public purpose. This notification is published in the official gazette and the collector is required to issue a public notice of the substance of the notification. Issuance of Section 5 has to take place not later than one year after notification of Section 4.

65. Any person interested in any land, which has been notified under Section 5 may, within thirty days after the issuance of the notification, object to the acquisition of the land under Section 5A. The collector shall hear the objection, make necessary enquiries, and submit a report within 90 days to the appropriate government authority. This authority must announce its decision, which shall be final, within 90 days, otherwise the objection shall be deemed to have been admitted and the acquisition proceedings will come to an end.

66. When the provincial government is satisfied, after considering the report, if any, made under Section 5A that any particular land is required for public purpose, a declaration to that effect shall be made by an authorized officer of the provincial government under Section 6. This should follow within six months of the publication of the Section 5 notification.

67. After the declaration under Section 6, the commissioner of land acquisition collection shall "direct the collector to take order for the acquisition of land" under Section 7. The collector then notifies under Section 8 to cause the land to be marked out, measured and planned (if this was not done after Section 4).

68. Under Section 9, the collector gives notice to all interested people that the government intends to take possession of the land and if they have any claims for compensation that they be made to him at an appointed time. Section 10 delegates powers to the collector to record statements of persons possessing any interest in the land or any part thereof as coproprietor, subproprietor, mortgage and tenant, or otherwise. Section 11 enables the collector to make enquiry into "measurements, value and claim and issue the final award." Included in the award is the land's true area, the collector's view of what compensation is warranted, and the apportionment of that compensation to all interested people.

69. Though this section is the one that contains the final award, there are two other sections, that is, Section 23 and Section 24, which actually take place before Section 11. This is because these two sections pertain to compensation and the criteria to be followed (Section 23) or not to be followed (Section 24) in arriving at appropriate compensation.

70. Under Section 23 are included such items as the market value of the land at the time of notification of Section 6, and various damages that have been sustained at the time possession was taken.

71. Matters not considered in awarding compensation, that is, Section 24, include such items as the degree of urgency, which led to the acquisition, any disinclination of the person interested in the land to part with it, any expected increase in value of the land from its future use, and so on.

72.   When the collector has made an award under Section 11, he will then take possession under Section 16 and the land shall thereupon vest absolutely with the government, free from all encumbrances.

73.   Section 18 pertains to persons still dissatisfied with the award, who may request the collector to refer the case to the court for determination and decision. This does not affect the taking possession of the land.

74.   In cases of emergency, where the Board of Revenue considers it expedient to take possession of any land at anytime before an award under Section 11 has been made, it shall notify this act in writing to the collector intimating in addition the date by which the land is required. Under Section 17, the collector can, after causing a notice to this effect to be served on the person or persons interested in the land, take possession of the land subject to the liability to pay any amount, which may be incurred on account of acquisition. This specific section will not be applicable in the proposed program, as the acquisition of land is being done through normal procedures.

c. Employment of Child Act, 1991

75.   Article 11(3) of the constitution of Pakistan prohibits employment of children below the age of 14 years in any factory, mine, or any other hazardous employment. In accordance with this article, the ECA 1991 disallows such child labor in the country. The ECA defines a child to mean a person who has not completed his/her fourteenth year of age. The ECA states that no child shall be employed or permitted to work in any of the occupations set forth in the ECA (such as transport sector, railways, construction, and ports) or in any workshop wherein any of the processes defined in the act is carried out.

76.   Presently the government of Punjab has draft a new act titled 'Punjab Restriction of Employment of Children Act 2015' dealing with child labor in the commercial and industrial sectors of Punjab. The act aims at banning children up to 14 years from all types of employment. The approval of the act is ongoing and expected to be approved by the Punjab Assembly in a short span of time.

d. Pakistan Labor Policy, 2010

77.   Pakistan's Labor Policy aims at attaining its objectives in a manner best suited to the resources of the country and the present state of economy. There is an urgent need to revitalize the economy to increase the level of productivity, promotion of investment, and maximization of employment. There is an equally genuine requirement to create, among workers and employers, a better awareness of their obligations to the national objectives stated above. At the same time, the government recognizes that workers and employers must enjoy reasonable benefits. With these priorities in view, the government considers that a balanced labor policy should be based on the following objectives:

- Workers' rights to form unions and unions should be protected and an institutional framework be made available to foster close cooperation between workers and employers at the establishment level.

- Equitable adjustment of rights between workers and employers should be ensured in an atmosphere of harmony, mutually beneficial to workers and the management.

- Consultations between workers and employers on matters of interest to the establishment and welfare of workers should be made more effective.

- Adequate security of jobs should be available to workers and there should be expeditious redressal of their grievances.

- Conditions should be created such that workers and employers are committed to enhancing productivity.

- Promotion to higher jobs should be ensured at all levels based on suitability and merit and for this purpose, arrangements should be made for in-service training facilities.

- Facilities for proper matching of job opportunities and job seekers should be strengthened and standard procedures streamlined.

- Social insurance schemes should be further strengthened.

- Just and humane conditions of work should be guaranteed to all workers.

- Forced labor in all its forms is to be eliminated.

- Provisions relating to the employment of children are to be strictly adhered to and enforced.

78. To address these concerns, the Labor Policy is divided into four parts: the Legal Frame Work; Advocacy: Rights of Workers and Employers; Skill Development and Employment; and Manpower Export.

e. Compliance Requirements under Generalized Systems of Preferences (GSP+)

79. Pakistan acquired the status of EU's GSP+, which allows increased access of some categories of Pakistani products by allowing duty-free exports to EU markets from January 1, 2014. GSP+ requires ratification and compliance of twenty-seven International Conventions including eight core labor standards of the ILO. These eight core labor-related conventions include the following:

- Convention concerning Forced or Compulsory Labor, No.29 (1930)

- Convention concerning the Abolition of Forced Labor, No.105 (1957)

- Convention concerning the Application of the Freedom of Association and Right to Organize, No.87

- Convention concerning the Application of the Principles of the Right to Organize and to Bargain Collectively, No.98 (1949)

- Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value, No.100 (1951)

- Convention regarding discrimination in Respect of Employment and Occupation, No.111 (1958)

- Convention concerning Minimum Age for Admission to Employment, No.138 (1973)

- Convention concerning the Prohibition and Immediate Action for the Elimination for the Worst Forms of Child Labor, No.182 (1999)

- The following labor laws (out of 24) relate directly to the implementation of the eight Labor Conventions:

- Bonded Labor System (Abolition) Act, 1992

- Employment of Child Act, 1991

- Minimum Wages Ordinance, 1961

- Industrial Relations Act, 2010

- West Pakistan Minimum Wages for Unskilled Workers' Ordinance, 1969

80. Two of the important labor-related aspects, which are required to be strengthened include the equal remuneration of men and women workers for work of equal value and removal of discrimination with regard to employment and occupation. Special institutional arrangements have been proposed in the above five laws for ensuring implementation, as follows:

- Setting up of Vigilance Committees in the Bonded Labor (Abolition) Act

- Setting up of a cadre of inspectors for enforcement of the ECA Act.

- Establishment of Minimum Wage Boards in the Minimum Wages Ordinance

- Appointment of registrars of trade unions and establishment of labor courts under the Industrial Relations Act.

f. The Protection Against Harassment of Women at the Workplace Act, 2010

81. The act protects women against sexual harassment at the workplace. The act is composed of 13 sections elaborating definitions, composition of the inquiry committee, procedure for holding inquiry, penalties (minor and major), powers of inquiry committee, role of the employer, the process for appeal against minor and major penalties, ombudsmen and powers of the ombudsmen.

g. KP Commission on Status of Women Act, 2016

82. The Khyber Pakhtunkhwa Commission on the status of Women is a statutory body established under NWFP Act X1X 2009. It was established in 2010 as a result of the devolution of powers from the Federal Women Development Ministry.

83. In 2016, the Commission was reconstituted and recommissioned under the . Its mandate under the KPCSW Act is as follows:

a. Examine the policy, programs, projects and other measures taken by Government, for women development and gender equality, to assess implementation and make suitable recommendations to the concerned authorities, where considered necessary for effective impact;

b. Review all provincial laws, rules and regulations affecting the status and rights of women and suggest repeal, amendments or new legislations essential to eliminate discrimination, safeguard and promote the interests of women and achieve gender equality in accordance with the Constitution of the Islamic Republic of Pakistan and obligations under International Covenants and commitments;

c. Monitor the mechanism and institutional procedures for redress of violation of women's rights, individual grievances and facilities for social care, and undertake initiative for beer management and efficient provision of justice and social services through the concerned forums and authorities;

d. Examine and review policies/programs and plans of each department to ensure that they address gender concerns adequately;

e. Establish and constitute in consultation with the Government, District Committees, consisting of such number of members with female majority and to be headed by a female Chairperson on such terms and conditions and for such a period as may be prescribed through regulations to examine and review policies/programs and plans for each office in the district and to ensure that they address gender concerns adequately; provided that two female members of district council shall be added to the District Committee and meetings and quorum of the District Committee shall be such as prescribed by regulations;

f. Provide guidelines to a District Committee for implementation and receive periodic reports on the implementation status to the Commission;

84.   The basic purpose to establish the Commission was to have a regulatory monitoring body that can work with sister government organizations as well as with NGO's towards the emancipation of women, equalization of opportunities including socioeconomic condition among women and men. Also to eliminate all forms of discrimination/violations against women.

85.   Commission has a mandate to conduct research on the issues related to the women of KPK especially those deprived women living in the remote areas of the province. These Researches will also be shared with the government of Khyber PakhtunKhwa and will help the legislators to concentrate on women issues including Gender Based Violence (GBV). The Researches will also help the NGO sector to understand the current status of women in the light of facts provided through Research papers.

h. Open Government Partnership

86.   The Open Government Partnership is a multilateral initiative that aims to secure concrete commitments from governments to promote transparency, empower citizens, fight corruption, and harness new technologies to strengthen governance. In the spirit of multi-stakeholder collaboration, OGP is overseen by a Steering Committee including representatives of governments and civil society organizations.

87.   To become a member of OGP, participating countries must endorse a high-level Open Government Declaration, deliver a country action plan developed with public consultation, and commit to independent reporting on their progress going forward.

88.   The Open Government Partnership formally launched on September 20, 2011, when the 8 founding governments (Brazil, Indonesia, Mexico, Norway, the Philippines, South Africa, the United Kingdom and the United States) endorsed the Open Government Declaration, and announced their country action plans. Since 2011, OGP has welcomed the commitment of 67 additional governments to join the Partnership.

89.   In total, 75 OGP participating countries have made over 2,500 commitments to make their governments more open and accountable.

90.   Pakistan expressed intent to become a member of Open Government Partnership in November 2016 whereby the Finance Minister signed the letter of intent and expressed the commitment to respect the Open Government Principles as articulated in the Open Government Declaration.

### i. Relevant Sectoral Regulations, Procedures, and Guidelines

(1) **Government of KP Online Portal**

91.   GoKP hosts a web portal which serves as one stop shop for all information on KP, ranging from all government websites, recent survey reports, history, geography and tourism in the province. While it is overall a good initiative, it

targets educated, middle class and upward citizenry. Amongst these, most promising initiatives/information provided are on Citizens Services offered and eGovernment. In addition, there is the online Province level GRM. Figure 2 shows a screen shot of the KP Portal. This webpage has links on KP's Annual Development Plan, Citizens Budget, tenders published by GoKP, administrative departments, educational institutions, employment and other similar schemes. In addition, e showcasing is a webpage which has the products and services of KP province for the global market and audience. The functionality of the website varies however.

92. Citizens Services. This site is to assist citizens to get services through online facilities such as documents such as birth certificates, etc. The platform also lists links for public grievances against government departments. There is a link for Laws and Acts of GoKP.

**Figure 2 Online Portal of KP Government**
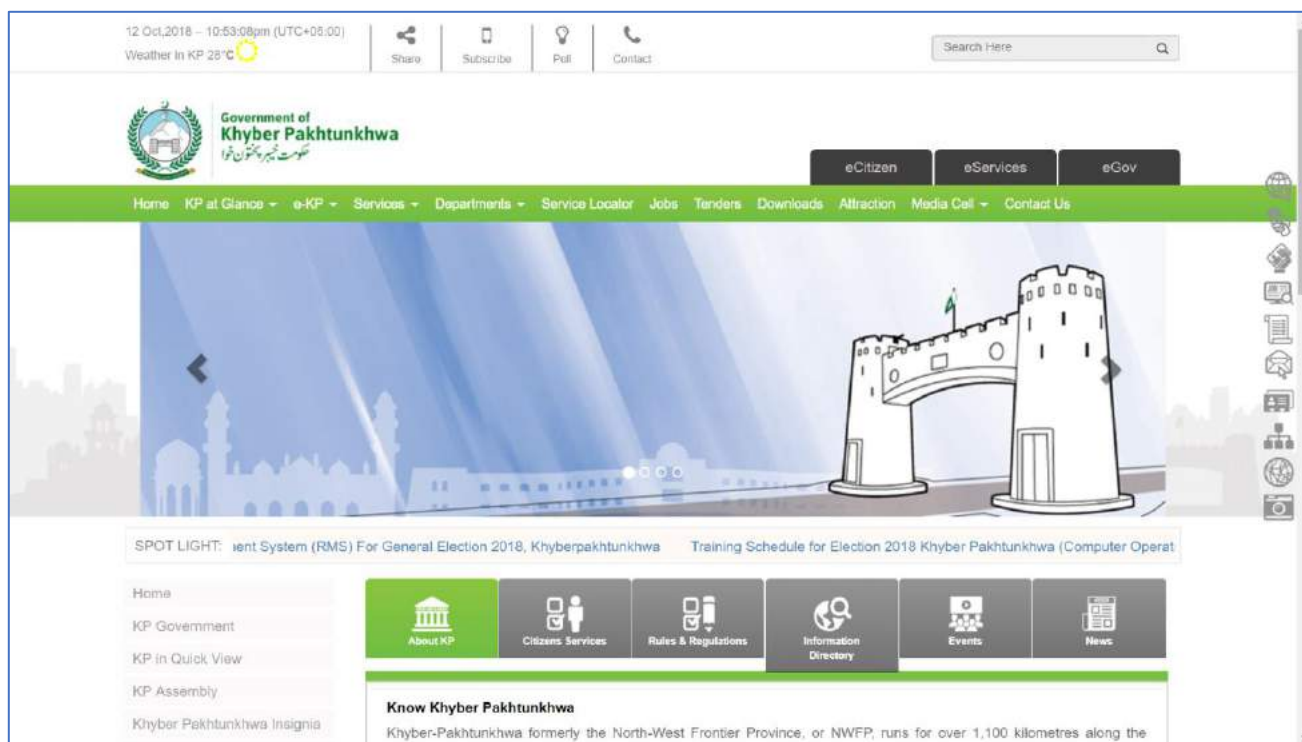
93. GoKP Online GRS. KPGRS is aimed at addressing common man's grievances, and simultaneously monitoring and reviewing the same. KPGRS is deemed as a game changer by the government, in its efforts to bring e-transparency and e-accountability with real-time presence and exchange among the citizens.

94. All complaints are recorded and forwarded to the concerned provincial department and compliance report is given to the Secretary of the department (or escalated further if required) within specified number days of its receipt after verification. The citizens/complainants are regularly updated on the work in progress on his/her complaint to call or SMS until redressal/closure. The Grievance Redressal System is being implemented through a phased approach and will cover all Departments of KP Government.

95. This effectively serves as the provincial level GRM for citizens against any type of grievance with any government department across KP. Each government department, including the ones that are part of this Program, has a focal point to respond to complains lodged through this portal. In most cases, it is the Secretary of the Department concerned, which is a senior civil servant. Once a complaint is lodged, a timeline is issued for resolution and concerned department asked to follow procedure.

96. Figure 3 below illustrates the process followed by the Online GRS.

Figure 3 Process Diagram for Online Grievance Redressal System
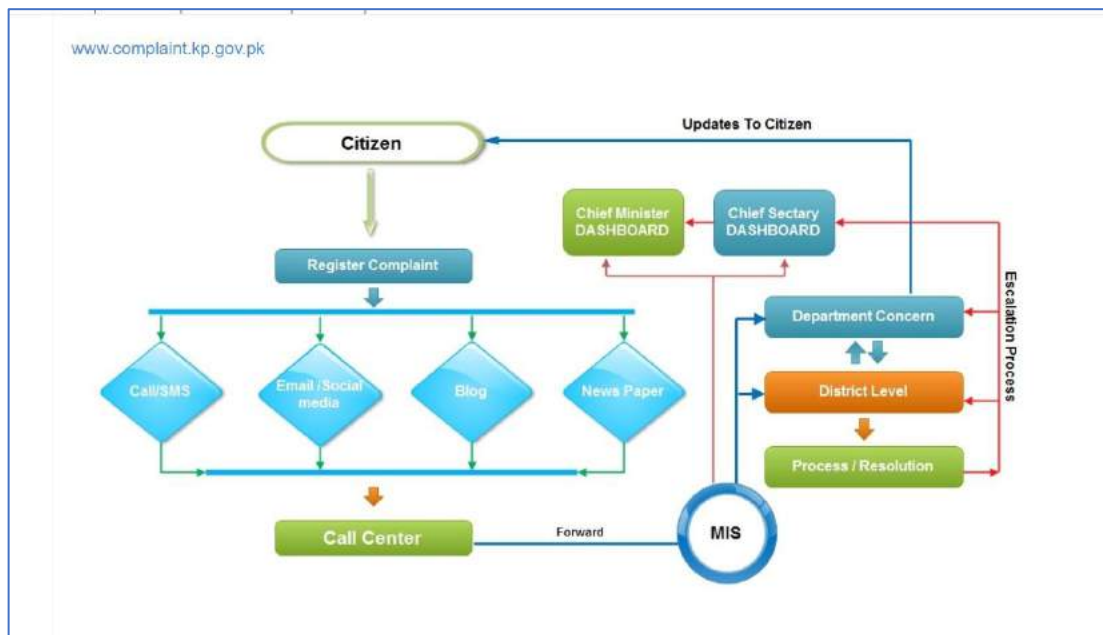
97. <u>e RTI.</u> The Khyber Pakhtunkhwa Right to Information Act 2013 was passed by the provincial legislature with the objective to ensure the access of citizens to information in government departments and thus create a transparent and corruption free environment conducive for the growth of democracy.

98. The basic purpose of the Right to Information Act is to empower the citizens, promote transparency and accountability in the working of the Government, with an objective,

'Every citizen shall have to right to access information in all matters of public importance subject to regulations and reasonable restrictions imposed by the law.'

99. The role of Public Information Officers (PIO) designated by each public body under the KP RTI laws is central to the implementation of these laws. PIOs are the first point of contact between citizens and public bodies. The government and public bodies are required to facilitate PIOs in the proactive disclosure of information as much as possible. This would require a need for significantly reforming and modernizing mechanisms of traditional record-keeping by public bodies. However, as public records are digitized, public bodies will be able to provide information in a timely fashion. Furthermore, PIOs would be empowered to share information upon request as required by RTI laws.

The current bureaucratic structure compels PIOs to seek permission from the heads of public bodies, the secretaries, before disclosing information. PIOs will not be bound by such restrictions and if any departmental rule binds them to do so, it will be amended.

100. The number of information requests under RTI laws is expected to increase manifold as citizens become aware of these laws. Thus, the most important aspect of KP RTI laws is proactive disclosure. Public bodies will disclose as much information as possible proactively, using digital means. This will greatly reduce the number of information requests and limit the burden on PIOs to respond to such requests.

101. Figure 4 below illustrates the process followed by the Online GRS

Figure 4 Process Flow for e Right to Information
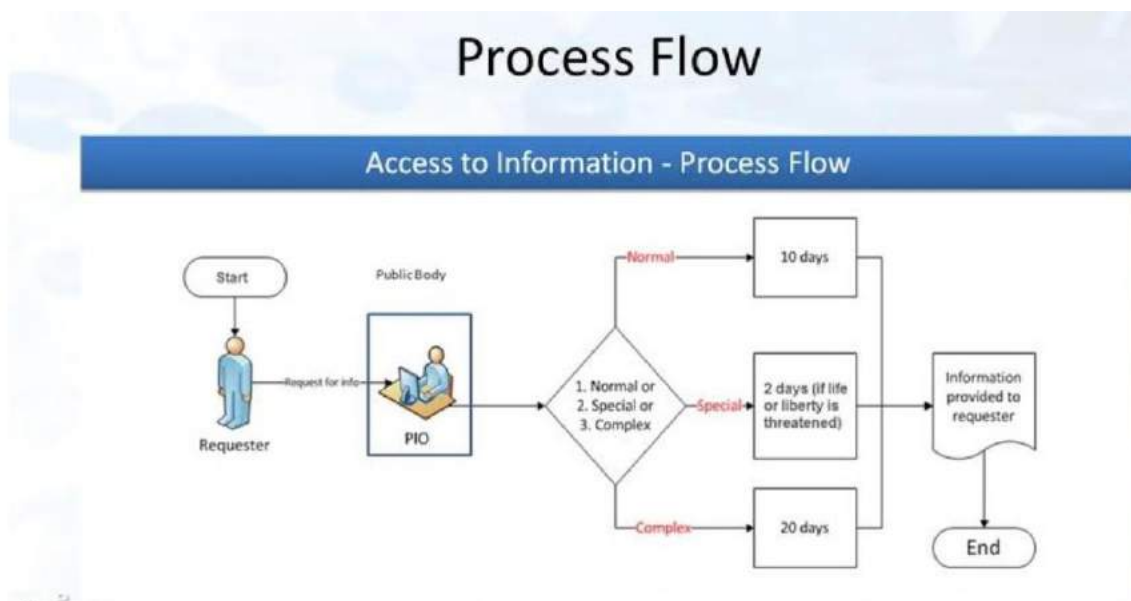
(2) **Guidelines for Public Consultation, 1997**

102. These guidelines address possible approaches to public consultation and techniques for designing an effective program of consultation that reaches all major stakeholders and ensures the incorporation of their concerns in any impact assessment study. The guidelines cover consultation, involvement and participation of stakeholders; effective public consultation (planning, stages of an EIA where consultation is appropriate); and facilitation of involvement (including the poor, women, and NGOs)

(3) **Right to Information Act, 2014**

103. The Khyber Pakhtunkhwa (KP) Right to Information Act 2013, was passed by the provincial legislature with the objective to ensure the access of citizens to information in government departments and thus create a transparent and corruption free environment conducive for the growth of democracy. i-e. Government of the people, by the people and for the people.

104. The Khyber Pakhtunkhwa provincial assembly spearheaded the country's legislatures in becoming the first to introduce this progressive RTI Act. Under the 18th amendment of the constitution it is mandatory for all provinces to

pass and implement RTI Law. This is a historic step in the legislative history of Pakistan which empowers citizens to hold public bodies accountable, who so far considered themselves unaccountable.

105. The law places crucial duties and responsibilities on the designated Public Information Officer (PIOs), to serve as the lynch pin between the public and their respective government institutions, for processing citizens requests for information sought under the RTI law.

106. The public representatives and the government have to play a very important role but now it's for the citizens to come forward, to understand and own the Law and actively participate in its implementation to enjoy this fruit of democracy. Awareness about their rights under this Law will change the tide in favor of the common man, ushering in an era of transparency, freedom, peace and prosperity in the Khyber Pakhtunkhwa.

107. The RTI Commission established under the RTI Law is an independent statutory body headed by KP Chief Information Commissioner RTI Commission and two Commissioners. The primary responsibility of the Commission is to ensure that the request of the citizens are processed in time by the public bodies. If the citizens file any complaint against a public body, the Commission after hearing the citizen and the public body takes a decision.

108. The Commission is also tasked with creating awareness and to ensure that the public bodies pro-actively display their records so that the citizens seldom visit the public offices. The Commission is required by law to lay before the Provincial Assembly an annual report regarding all the public bodies in respect of the implementation of RTI Law in the province.

(4) **Provincial Ombudsman of KP**

109. Ombudsman Institutions were established at the Federal level and in the provinces of Punjab, Sindh and Baluchistan in 1983, 1997, 1991 and 2001 respectively, but in the province of Khyber Pakhtunkhwa, till recently Similar institution could not be created by the successive Governments.

110. The then Provincial Government in 2010, while recognizing the need and importance of Ombudsman institution, for ensuring administrative accountability and good governance, took the initiative and legislated the Khyber Pakhtunkhwa Provincial Ombudsman Act, 2010 Which paved way for the establishment of the office of Provincial Ombudsman Khyber Pakhtunkhwa. On 04/05/2018 Mr. Aqal Badshah, took oath before the Governor as the 3rd Ombudsman of Khyber Pakhtunkhwa.

111. The Secretariat of the Provincial Ombudsman Khyber Pakhtunkhwa is presently operational, receiving, investigating and disposing off complaints in terms of the provisions of Khyber Pakhtunkhwa Provincial Ombudsman Act, 2010 and the Khyber Pakhtunkhwa Provincial Ombudsman Office (Registration, Investigation and Disposal of Complaints) Regulations 2011.

112. Any person who is aggrieved of mal-administration of any provincial Government Agency excluding Courts and provincial Assembly, can make a complaint on plain paper either in Urdu or English and can lodge the same in the Ombudsman Office either in person or through other means of communication. However, every complaint must be accompanied by a copy of computerized National Identity Card (CNIC) of the complainant and supported by an affidavit to the effect that:

- **The allegations are true and correct to the best of his/her knowledge and belief.**

- **Previously no complaint about the subject matter has been lodged.**

- **No suit, appeal, petition or any other judicial proceedings in connection with the subject matter of the complaint are pending before any court or judicial Tribunal.**

113.   The complaint must bear the signature or thumb impression of the complainant and complete mailing address with Telephone or cell phone number if any. No anonymous or pseudonymous complaint is admissible.

114.   Alongside this, no complaint which is late than six months from the day on which the aggrieved person had the knowledge of the matter alleged in the complaint will be entertained unless special circumstances exist necessitating investigation in a complaint which is time barred.

115.   Findings in every complaint will be communicated to the complainant and the Agency on conclusion of the investigation and any person or agency aggrieved by an order of the Ombudsman, may make representation to the Governor within thirty days of the order.

2. Institutional Framework

116.   The following are the institutions involved in social management of the effects of the program, with a description of their background, mandate, and overall organization. The capacity of each is assessed in the following sub-section.

a. Department of Finance, Government of Khyber Pakhtunkhwa

117.   The Finance Department is responsible for the supervision and control of Provincial Finances, preparation of Provincial Budget, formulation and interpretation of Financial Rules, Civil Servants Rules related to pay, allowances and pension, management of public funds, management of public debit, banking and coordination of treasuries

118.   The Finance Department has the following organizational structure:

ORGANOGRAM OF FINANCE DEPARTMENT KP
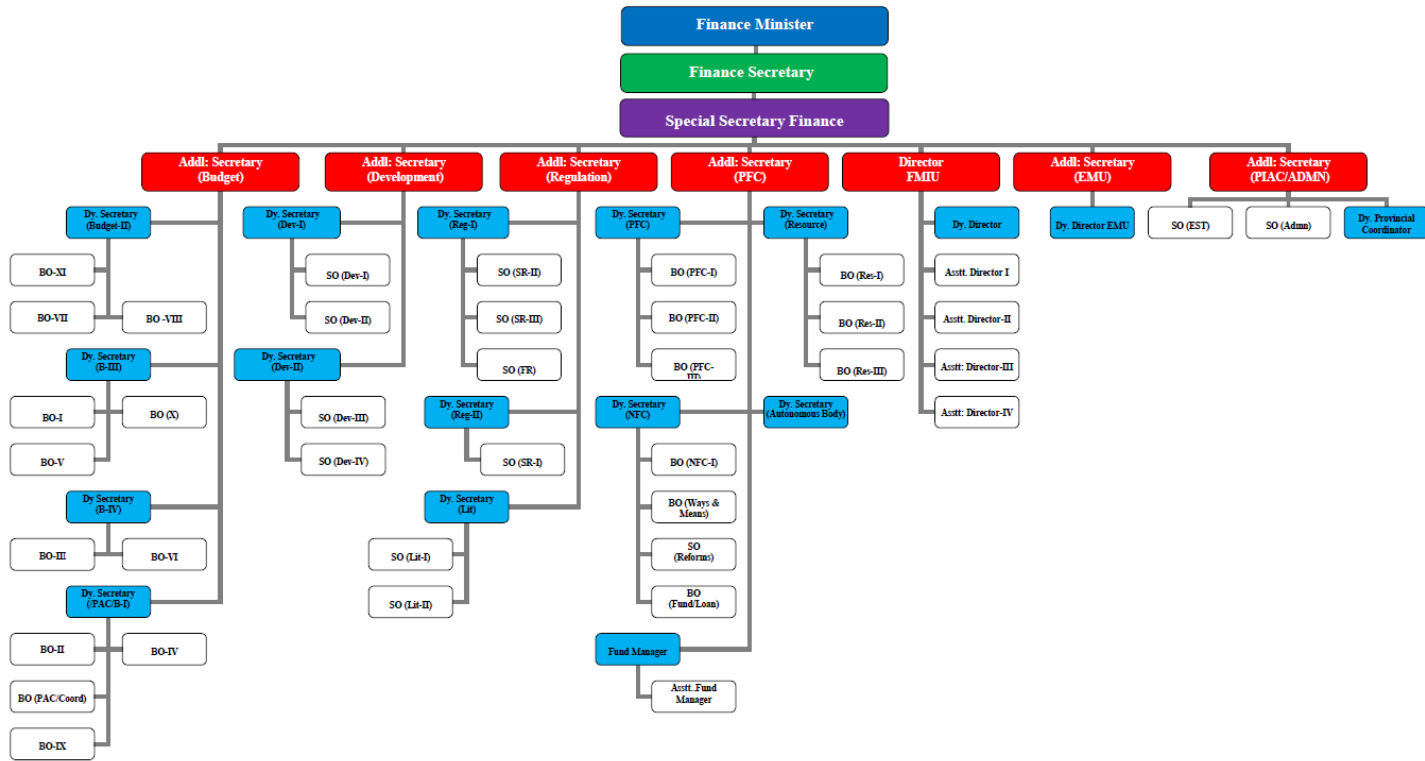
119. As can be noted from the organogram, no formal setup exists to manage the social risks such as a social management unit, unit for GRM, etc.

b. Department of Excise, Taxation and Narcotics Control Department

120. The Excise, Taxation and Narcotics Control Department is primarily engaged in collection of various provincial taxes, duties, fees and cess items. Its functions include tax facilitation and extends to trace-out the use of illegal and smuggled vehicles and traffic in contraband's. It performs regulatory and public welfare functions/services such as motor vehicle registration and development of tobacco crop, tobacco production areas and tobacco farmers, through utilization of collected Tobacco Development Cess (TDC). The Department is also mandated to register Motor Vehicle Dealers, Real Estate Agents and Video Cassette Shops. The Excise and Taxation Department carries a distinction amongst the line departments of Khyber Pakhtunkhwa for its three-pronged functions of Taxation, Regulation and Public Welfare.

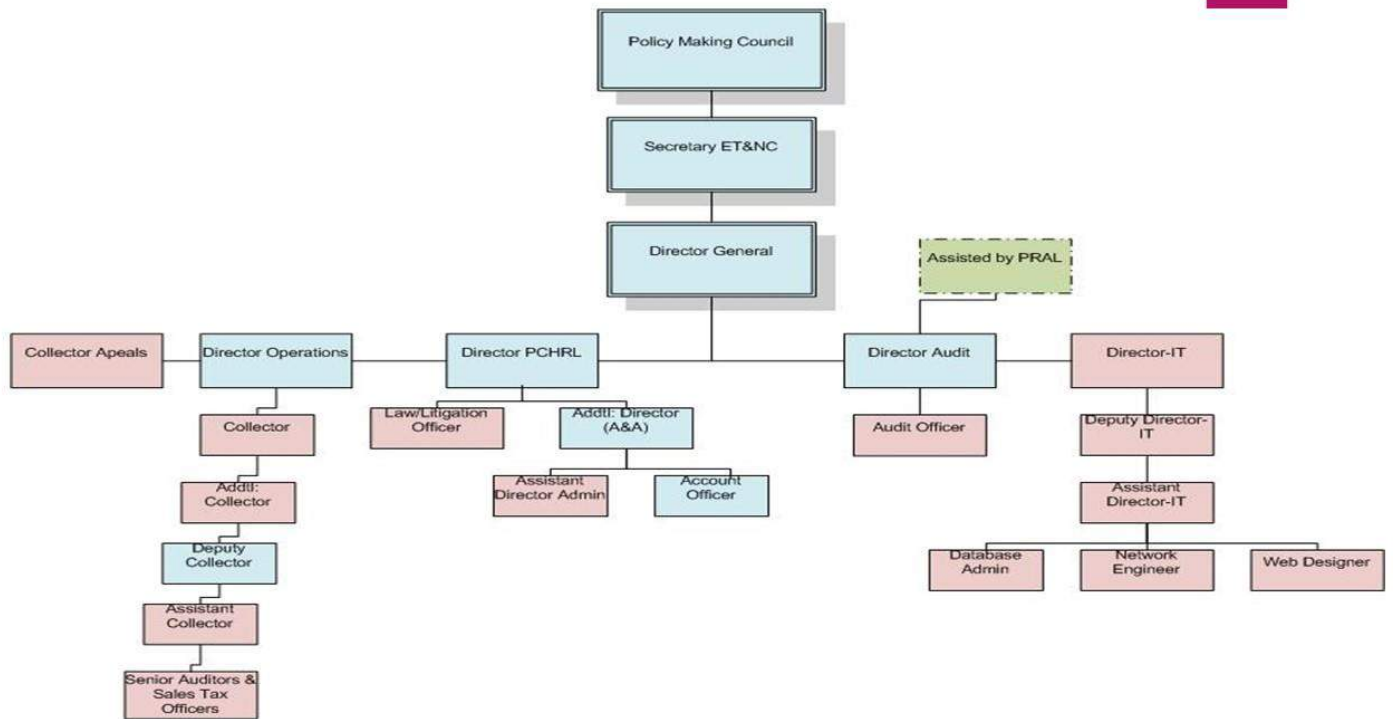**121.** The Department is setup as follows:
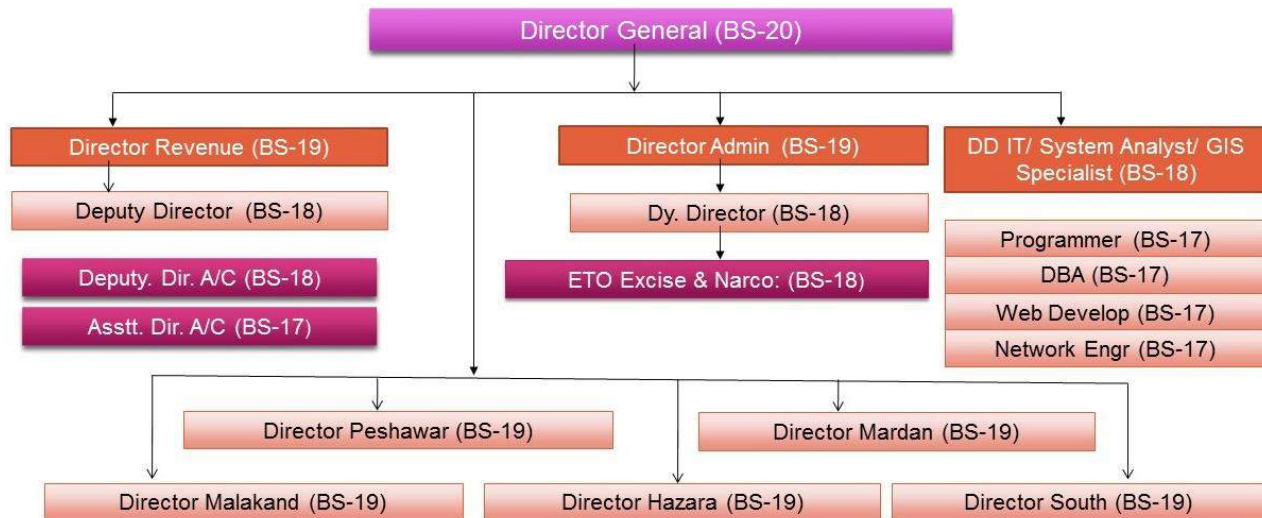
122. Challenges identified by the Department in its own words, in meeting its mandate include: "complex and intricate laws", "absence of scientific based survey for determination of tax potential", "human resource with limited capacity"; "Lack of automation / integrated data base"; and "lack of mechanism for tax payer's awareness".

c. KP Revenue Authority

123. Khyber Pakhtunkhwa Revenue Authority (KPRA), as corporate entity, was established under the Khyber Pakhtunkhwa Finance Act, 2013, with the mandate to administer and collect Sales Tax on Services. KPRA is governed, with relative autonomy, has been placed under the Excise and Taxation Department to have an interface with the Government. While, the Council acts as Policy Making body chaired by the Chief Minister, Khyber Pakhtunkhwa, and comprising of three (03) Cabinet Ministers for Finance, Law and Excise and Taxation, Chief Secretary, Secretaries of the Finance, Law, Excise, Taxation and Narcotics Control departments and four representatives nominated by the Government from the private sector

124. The Powers and Functions of the Authority relevant to the Program include implementing comprehensive policies and programs for awareness and facilitation of taxpayers, stakeholders and employees to improve the quality of performance of the Authority as a service oriented entity (l) introduce and maintain a system of accountability of performance, competence and conduct of the employees and establish, with the approval of the Government, a foundation for the welfare of the present and retired employees and their families, and for creating, establishing, organizing and assisting them in the social and cultural facilities;

125. The Authority is setup as follows:

Policy Making Council

Secretary ET&NC

Director General

Assisted by PRAL

Collector Apeals | Director Operations | Director PCHRL | Director Audit | Director-IT

Collector

Law/Litigation Officer | Addtl: Director (A&A)

Audit Officer

Deputy Director-IT

Addtl: Collector

Assistant Director Admin | Account Officer

Assistant Director-IT

Deputy Collector

Assistant Collector

Database Admin | Network Engineer | Web Designer

Senior Auditors & Sales Tax Officers

126. Instructions on E-filing are available on website but are only in English. E-filing functionality is not entirely user friendly. Regulations on the Authority's function are listed, but not downloadable and a Feedback form is provided on the website of the Authority.

d. Khyber Pakhtunkhwa Board of Revenue

127. The Board of Revenue is the controlling authority in all matters connected with administration of the land, collection of land revenue, preparation of Land Records and other matters relating thereto. It is the highest Court of appeal and revision in Revenue Cases in the Province. It is responsible for Notification of Administrative Boundaries; Land Acquisition Act Settlement and consolidation; Stamps and Court Fees, Judicial and non-Judicial; Tenancy Laws; Assessment and collection of taxes; Agriculture income tax; Revenue Settlement and Re-assessment Boundary Dispute; and Land Utilization.

128. Being a controlling authority in matters connected with administration of the land assessment and collection of land revenue, preparation of land records and other matters, the Board of Revenue is entrusted with the overall control and supervision of revenue officers/officials and it is highest court in land revenue matters in the Province. The work relating to land acquisition, land lease, alienation of land etc. is also looked after by the Revenue & Estate Department. Measures for bringing into effect land reforms and social equality are also undertaken by the Department through assignment and distribution of surplus lands.

e. Planning and Development Department, Government of Khyber Pakhtunkhwa

129. The Planning and Development Department is the major policy decision-making stakeholder especially in the field of development in the Province. It is responsible for the implementation and monitoring of all development projects and programs. It plays an important role in policy making (provincial and sectoral policies, priorities for projects according to the required resources), in appraisal and processing of development projects, in implementation

(monitoring releases and inter-sectoral re-appropriation and in evaluation). The function of approval (ADP compilation, allocation of funds, recommendation for approval) is an important activity of the Department.

130. P&DD has the following organizational structure.

### Organizational Structure of Planning & Development
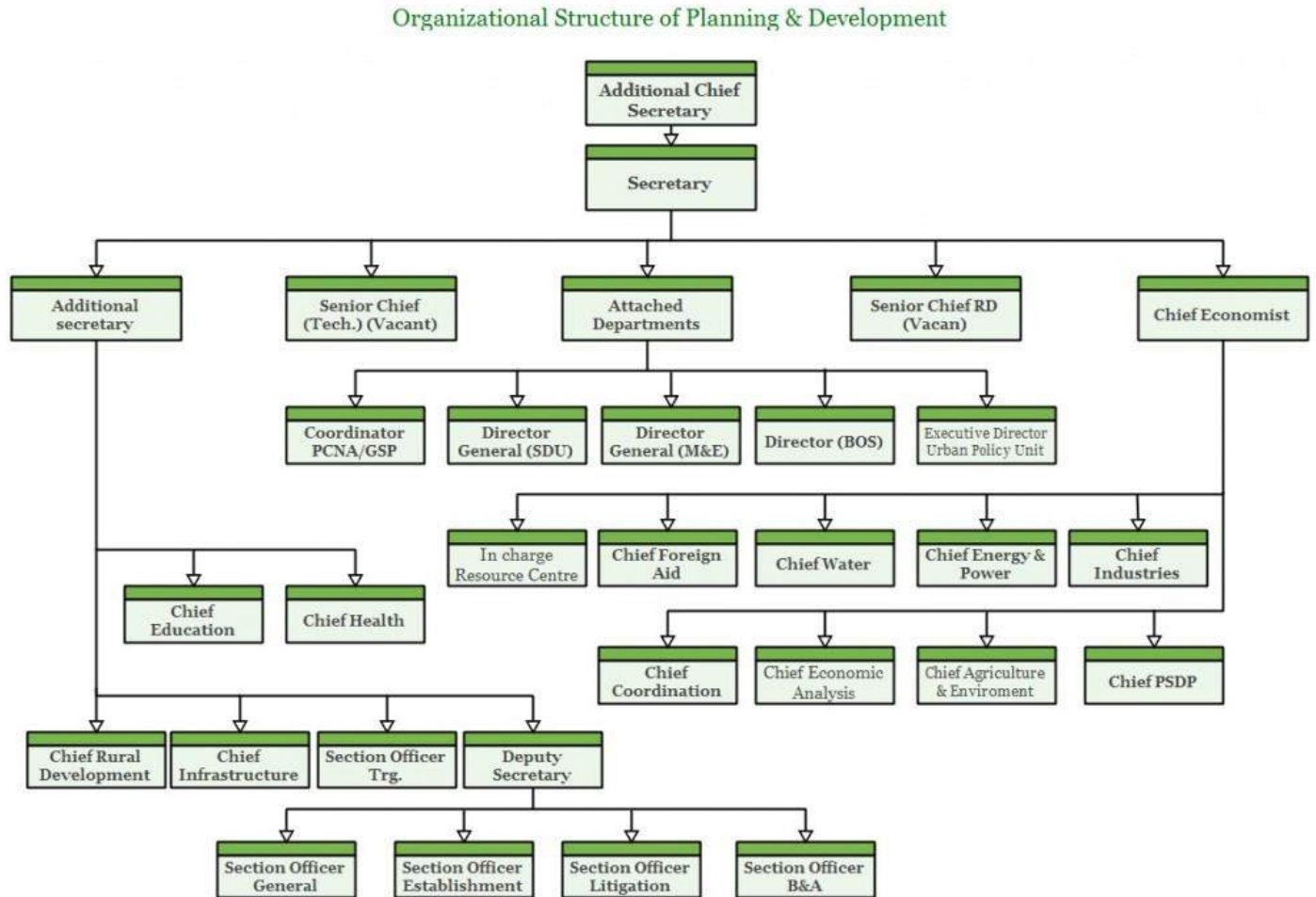
131. In addition the P&DD administers four attached department including: (i) The Urban Policy Unit. (ii) Bureau of Statistics KP; (iii) Directorate General Monitoring and Evaluation.

f. Department of Local Government

132. The Local Government, Elections and Rural Development Department (LGE & RDD) was formed to respond to the specific needs of the citizens of KP province. The department has a vision to enhance local governments' ability to generate revenue and optimally utilize development funds while meeting the needs of their respective administrative units, including the ability to deliver municipal services and provide infrastructure. The Department has been assigned the responsibility to administer and implement KP Local Government Act 2013 (LGA-2013).

133. LGE&RDD has the following organizational structure.
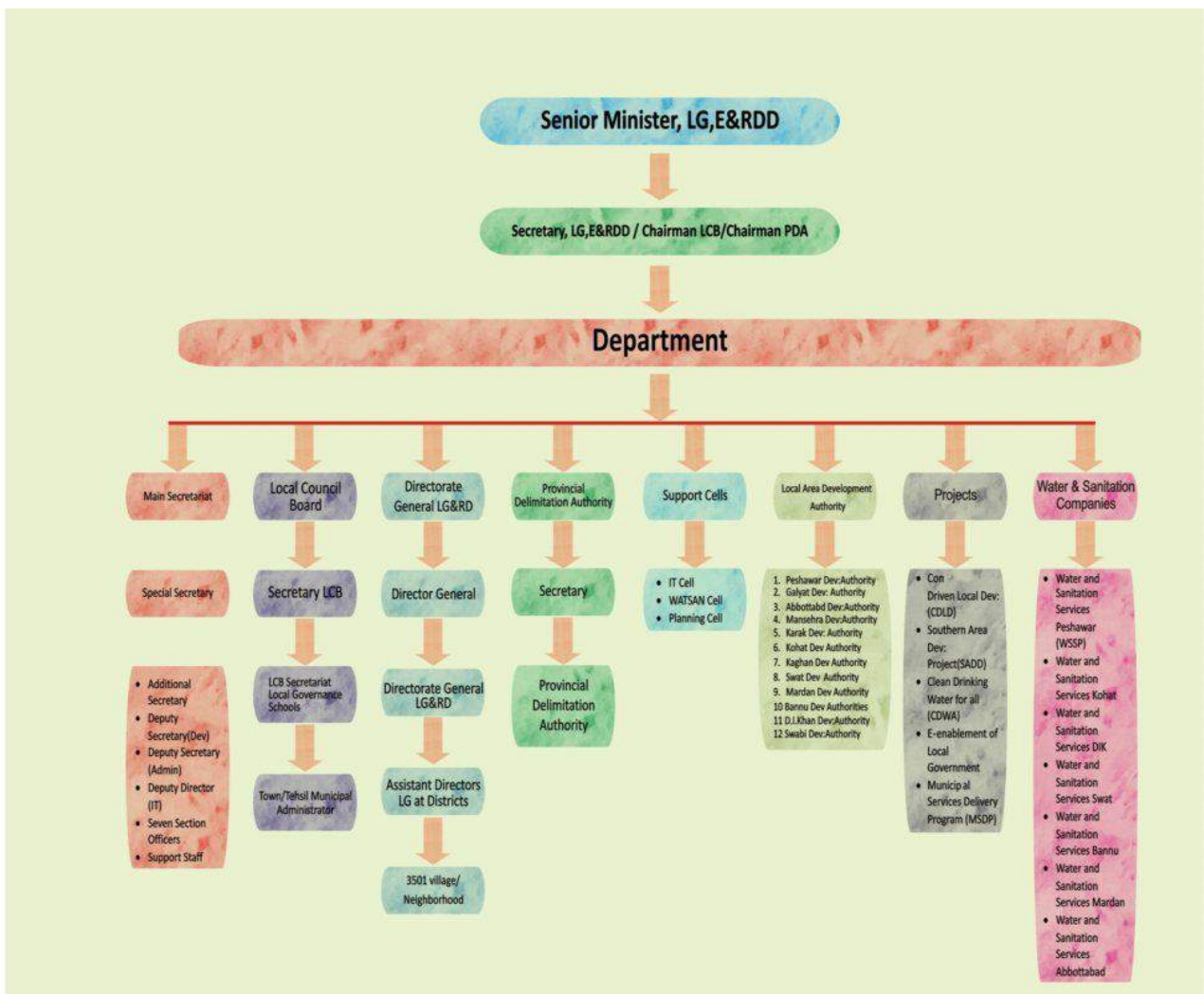
X. Social Management Capacity

134. This sub-section summarizes the ESSA team's evaluation of the capacity of the institutions to implement the Program's social management system. The involved institutions are listed below, each with a description their background, mandate, and overall organization, etc. and metrics and other information on institutional capacity, such as staff, budget, and training, etc. The effectiveness of inter-agency coordination arrangements and previous performance in social management in the context of similar projects and programs is also discussed.

A. Department of Finance, KP

135. Finance Department (FD) Khyber Pakhtunkhwa is the custodian of Provincial Exchequer and deals with the subjects pertaining to Finance of the Provincial Government and Financial matters affecting the Province as a whole. The department envisions; "*attainment of a secure, just and prosperous society through socioeconomic and human resource development, creation of equal opportunities, good governance and optimal utilization of resources in a sustainable manner*".

136. The overall mandate of FD is the preparation of annual budget statements and supplementary/ excess budget statements for the consideration of the Provincial Assembly, accounts and audits of the Provincial autonomous Organizations etc. FD is also responsible for resource management, financial regulation, administration of treasuries and banking. The key functions21 of FD include: supervision and control of provincial finances, preparation of provincial budget, formulation and interpretation of financial rules, civil servants rules related to pay, allowances and pension, management of public funds, management of public debit, coordination of National and Provincial Finance Commissions, administration of Local Fund Audit and Treasuries.

137. FD performs its function through sub-departments called Wings. Following are main wings of the department.

   i. Administration Wing: The administration wing looks after all the administrative affairs of the Finance Department and maintains the record of the staff FD. The key functions of Administration wing are:

   - Supervise the processing of the cases of purchases of equipment (machinery, computer, hardware, and furniture) and subsequent maintenance.
   - Evaluate the recommendations of nominees for inland and foreign trainings.
   - Review and supervise the preparation of recurrent budget estimates for Finance Department.
   - Supervise reconciliation of accounts and budget figures of accounts with AG office.

   ii. Budget Wing: The budget wing coordinates the budgetary matters of all relevant departments; provide input for framing of public financial policies. The key functions of Budget wing are as listed below:

   - Prepare, estimate, compile, examine and execute the budget.
   - Make policies regarding budgetary rules and budget execution.
   - Release of funds and to ensure that no non- budgetary spending is done with the funds provided.
   - Coordinate and interact with donors regarding budgetary activities (output based budgeting).

   iii. Regulation Wing: The Regulation Wing has the mandate of processing regulatory matters of department and seeking approval of FD Secretary. The wing has following key functions.

   - Regulate budgetary and financial affairs of provincial government by ensuring timely issuance of directives/notifications and delivering of outputs in compliance with the regulations.
   - Provide advice to line departments on financial matters.
   - Facilitate Standing Service Rules Committee in regulation of policies.
   - Review matters related to recruitment rules, financial rules, delegation of power under financial rule and treasury rules.
   - Review litigation cases and offer comments.

   iv. PFC Wing: The wing serves as the principle office for fiscal monitoring and effective internal control over funds distributed under the Provincial Financial Commission (PFC) Award. The wing has following key functions:

   - Initiate and coordinate financial management reforms relating to districts/local government.
   - Institute and supervise systems, procedures and instruments for efficient public finance management in district government.

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21 http://www.financekpp.gov.pk/

- Ensure accurate, timely accounting, financial reporting and financial management and to develop and implement plans for strengthening provincial and district capacity on these.
- Ensure timely releases of funds to local government as per respective share under PFC Award.
- Evaluate any proposals from districts on taxation, fees, rates, charges, additional demands additional grants and submission to PFC.
- Coordinate with Federal Government regarding NFC issues
- Fixation of receipt targets for line departments and its monitoring.

v. **Financial Management Information Unit (FMIU):** The unit is a technical arm of Finance Department and is responsible for electronic processing of data (budget, releases, accounts, rules, receipts and others). The information retrieved/accessed instantly facilitates decision making and brings efficiency and transparency in the financial management. FMIU has established a province wide network between Finance Department, 26 District Finance Departments and major line Departments. The provincial and districts' budget is available online. Releases are also shown online and expenditures are booked online. Budget and expenditure are being monitored in real time. FMIU is maintaining the budget database (receipts and expenditure, online releases and utilization), Human Resource Database and website of the department. The wing produces about various documents including: Annual budget statement, estimate of receipts, budget memorandum, budget summary and white paper.

vi. **Provincial Internal Audit (PIAC):** The PIAC is headed by a Provincial Coordinator who reports directly to the Secretary Finance. Following are the key functions of PIAC:

- Formulate and implement policies and procedures
- Encouraging compliance with ethical standards
- Receiving, sampling, consolidating and presenting Annual Audit Plan to the Chief Secretary
- Compiling, consolidating and presenting Progress Reports
- Compiling, consolidating and presenting Annual Audit Report to the Chief Secretary
- Conducting quality control reviews of audits conducted by Departmental Internal Audit Cells.
- Reviewing and updating IA Framework.
- Ensuring compliance of notifications/directives, austerity measures etc. issued by Finance Department

138. **Government of KP Finance Division and Open Government Partnership.** KP government has taken several steps in recent years to combat issues of low education and health outcomes, rampant poverty, lag in infrastructure, low employment rates etc. During the last four years the overall spending on health, education and economic growth has increased, while significant functions and resources have been devolved to the local governments. However, public perception is more often shaped by the extent of transparency / openness of governance system. A PILDAT survey of public opinion on governance recorded only 38% approval rating of GoKP's performance from all over Pakistan, even though it received public approval for most of individual governance indicators (like health, education, anti-corruption etc., and even transparency). It is not enough to provide services for citizen satisfaction, the government must establish an open communication with citizens, especially around budget planning, spending and performance outcomes.

139. A Budget Transparency Review was conducted in 2014 as a collaboration between the DFID funded Sub-National Governance Programme and Omar Asghar Khan Foundation. Based on the Open Budget Survey methodology, the Review looked at key budget documents and processes and scored the province's performance against international standards. KP stood at 44 out of 100 on the Open Budget Index in 2014. In comparison the Federal Government stood at 43 in 2015, while the Government of Punjab stood at 54 in 2014.

140. The GoKP's intent for fiscal transparency is to make citizens aware of how and on what the public money is being spent, to enable a two-way communication with citizens on budget priorities and performance, and to enable citizen oversight for greater accountability. Through these elements of fiscal transparency, the GoKP aims to combat corruption and foster trust between the citizens and the state. The higher aim is translated into a measurable commitment of increasing the Open Budget Index standing by at least 20% annually on a sustainable basis during the next two years. Hence the GoKP will raise its standing from a baseline score of 44 to at least 63 by 2019.

141. While internal assessments are already tracking an improvement in KP score over the last three years as a result piloting of various budget transparency measures, this has not been taken into consideration in the formulation of the OGP commitment. The goal of the commitment is to not only improve KP's standing, but to do it on a sustainable basis, by embedding relevant processes and mechanisms within the regular budget system, so that there is limited risk of rollback.

142. FD realizes that budget is a powerful tool to translate government's commitments into actions, to engage with citizens on specific issues, and, from the citizens' perspective, to hold governments accountable for their actions. The Open Budget Initiative webpage cites evidence showing that with budget transparency and citizen engagement in budget process can lead to improvements in governance and service delivery. KP government's commitment to fiscal transparency targets participatory budget processes from start (budget strategy paper, pre-budget consultations) to finish (annual budget execution report), transparent budgets that detail how much will be spent where to gain what (see milestones below), and the communication of budget information to citizens in an easy to understand manner (citizens' budget).

143. These targets will be achieved through formalizing budget transparency measures (piloted recently) as part of the regular budget cycle, using Information Communication Technology (ICT) to streamline citizen feedback and perform useful analysis for input in budget plans, initiating mid-year budget review publication, assessment of the internal audit units and adopting measures to enhance their effectiveness, and putting in place SOPs for block allocations to limit excessive discretion.

144. Progress towards targets will be consistently monitored through internal assessments using OBS methodology and validated through objective feedback from credible civil society organizations.

145. **Government of KP under implementation Governance and Policy Project (GPP) supported by the World Bank.** The project aims to strengthen upstream (planning and financing) and downstream (service delivery) government systems. The direct beneficiaries of the upstream support will be the FD and the P&DD, as well as the KPRA and grievance redress institutions (RTS Commission, RTI Commission, KP Ombudsman's office, Chief Minister Complaint Cell, Peshawar High Court, etc.). Specifically, the support will target skills development for the senior management (secretary and above), middle management (additional/deputy secretary), and operational management (section officer) tiers of the administration. Skill development in project management, financial management (FM), procurement, and M&E will also benefit other departments namely, the Public Health, Local Government, and Energy and Power Departments, thereby contributing to better services. Improved coordination of governance reforms will also directly benefit the FD and P&DD. Improvements in revenue collection, public investment, monitoring of services, GRMs, and community engagement, with a focus on women's participation, are expected to benefit civil society organizations (CSOs) and the people of KP.

146. Specifically, the intervention of interest for this Program is planned under the PDO indicator 3, which focuses on increased citizen engagement through regular collection of citizen feedback and direct engagement of citizens in monitoring service delivery in the WSS sector (number of districts where citizens' feedback on WSS services is systematically collected and disseminated and where citizens are engaged in monitoring WSS services; percentage of women among feedback providers and monitors).

147. **On the basis of the above, FD has the capacity to respond to the risks identified earlier, by providing support and strengthening the GPP and OGP initiatives and through focused interactions on DLI based social risk mitigation engagements. These engagements can include dialogues, consultations, assessments, etc. It is pertinent to note that social development is not included in the mandate of the Finance Department. However, it will be useful to train and sensitize the staff of the Finance Department while undertaking capacity development trainings and activities.**

b. Department of Excise, Taxation and Narcotics Control, KP

148. The Excise, Taxation & Narcotics Control Department performs the following functions :

    a. Tax Collection/ Provincial Own Receipts

        i. Urban Immovable Property Tax

        ii. Professional Tax

        iii. Tobacco Development Cess

        iv. Hotel Bed Tax

        v. Vehicle Registration & Token Tax

        vi. Infra Structure Development cess

    b. Regulatory Functions

        i. Licenses of Rectified & Methylated Spirits(Alcohol)

        ii. Regulation of Opium

        iii. Motor Vehicle Registration

        iv. Real Estate & MVD Agents

        v. Seizure of illegal Vehicles

        vi. Control of Narcotics .

149. **There is limited information available on the agency's capacity on managing social risks and impacts as a result of this Program at this point. The department understands the implications of their operations on the public at large but have a limited human resource capacity, infrastructure, past experience and mandate to safeguard social development issues.**

c. KP Revenue Authority

150. The 18th constitutional amendment in 2010 excluded Sales Tax on Services in Provincial territories from the purview of the Federal Government. Consequently, Finance Act 2013 was passed by the Khyber Pakhtunkhwa Provincial Assembly on 26.06.2013 and assented to by the Governor Khyber Pakhtunkhwa on 01.07.2013. The Act has been notified and published as an Act of the Provincial Legislature of Khyber Pakhtunkhwa (Khyber Pakhtunkhwa Act No.XXI of 2013).

151. Finance Act 2013 establishes Khyber Pakhtunkhwa Revenue Authority (KPRA), as a corporate entity, with the mandate to administer and collect Sales Tax on Services in the province of Khyber Pakhtunkhwa. KPRA is placed under the Excise and Taxation Department to have an interface with the Government.

152. The Authority comprises of Director General and five (05) Directors appointed by the Government. The Directorates have been established to carry out tax related specialized functions including intelligence and investigation, finance, internal audit, and inspection, training and research. A Policy Making Council is provided under section 11 of KP Finance Act 2013 which is chaired by the Honorable Chief Minister, Khyber Pakhtunkhwa, and comprises three (03) Cabinet Ministers for Finance, Law and Excise and Taxation, Chief Secretary, Secretaries of the Finance, Law, Excise, Taxation and Narcotics Control departments and four representatives nominated by the Government from the private sector. The Council acts as a Policy Making Council for the Authority and is empowered to formulate policy guidelines pertaining to tax administration, planning, reforms, budget and any other matter referred to it by the Government.

153. Khyber Pakhtunkhwa Revenue Authority (KPRA) has completed five years of its establishment with good performance. During this period, KPRA has emerged as the single largest tax collection agency of Khyber Pakhtunkhwa contributing around 57% to total Provincial Tax receipts. A number of initiatives have been taken which has resulted in broadening of Tax and increase in tax revenue. Prior to establishment of KPRA, Sales Tax on Services in the province was collected by FBR with yearly realized collection of around Rs. 4 billion. Despite frequent changes in top management, KPRA has brought significant improvement in tax registration and collection. Resultantly, tax revenue has increased from Rs. 6 billion in 2013-14 to Rs. 10.917 billion in 2017-18.

154. **KPRA has an active Grievances Redressal Mechanism which operates as follows:**

- Every complaint received in Khyber Pakhtunkhwa Revenue Authority (KPRA) is assigned a number and entered into Diary Register.

- Complaints can also be lodged through telephone number which is available at KPRA website.

- Every Complaint is submitted for perusal of Director General KPRA, who passes necessary instructions and the complaint is forwarded to suitable/ relevant Directorate for immediate redressal.

- All complaints are considered in order of receipt except assigned priority depending upon the nature of complaint and the forum/ office from where the compliant has been referred/ received.

- A complaint regarding tax evasion/ fraud or against the conduct of officer/ official of KPRA regarding any corruption, malpractice or misuse of Authority is assigned top priority and dealt by Directorate of Inquiry & Investigation, especially established for the propose.

- Complaints with known identity are entertained/ processed, whereas anonymous/ pseudonymous complaints are dealt according to the nature of case and availability of information/ evidence.

- After through verification and probe of the complaint, the same is presented before the Competent Authority for appropriate decision as per law.

- The decision taken is conveyed to all concerned.

155. **The agency understands the social risks associated with its operations, especially the lack of enagement and consultations. In the recent past, they have conducted sessions with traders/restaurants in particular areas of Peshawar where GSTS was being levied for the first time. But this is not a practice, and is not required by its rules of**

business. They currently have limited understanding of impacts and risks of their planned operations on the vulnerable groups, and do not have exemptions for the same.

D. KP Board of revenue

156. The Board of Revenue (BoR) is the controlling authority in all matters connected with administration of the land, collection of land revenue, preparation of Land Records and other matters relating thereto. It is the highest Court of appeal and revision in Revenue Cases in the Province.

157. Being a controlling authority in matters connected with administration of the land assessment and collection of land revenue, preparation of land records and other matters, the Board of Revenue is entrusted with the overall control and supervision of revenue officers/officials and it is highest court in land revenue matters in the Province. Measures for bringing into effect land reforms and social equality are also undertaken by the Department through assignment and distribution of surplus lands.

158. Following are some of the key functions of BoR.

- Notification of Administrative Boundaries
- Land Acquisition Act
- Settlement and consolidation
- Stamps and court fees, Judicial and non-Judicial.
- Tenancy Laws.
- Assessment and collection of taxes
- Agriculture income tax
- Revenue settlement and re-assessment
- Boundary dispute.
- Land utilization

159. Despite its mandate, the capacity of the department is limited to respond to the risks posed under this operation. This is because the LAA 1894 which governs its operations is an outdated law and does not provide any provision for equity, social development and/or grievance redressal, for the landless specially.

e. Department of Planning and Development, KP

160. The Planning & Development Department (P&DD) is the major policy decision-making stakeholder especially in the field of development in the Province. It is responsible for the implementation and monitoring of overall development plans of the Province. It plays an important role in policy making (provincial and sectoral, priorities for projects according to the required resources), in appraisal and processing of development projects/schemes, in implementation (monitoring releases and inter-sectoral re-appropriation and in evaluation). The approval Annual Development Program (ADP), compilation, allocation of funds and recommendation for approval are the key responsibilities of the Department. P&DD has following mandate/functions:

- Strategic planning for provincial economy

- Formulation of Annual Development Plan

- Appraisal and review of Projects

- Monitoring and evaluation of development schemes, Socio-economic impact analysis

- Management of Provincial Statistics

- Foreign Development Assistance – Donors Coordination.

- Processing Foreign trainings & visits

- Lead Provincial representation in National Development Forums

- Lead Steering Committees and PRBs of mega projects

- Secretariat support to PDWP/CDWP/ECNEC/NEC (project approving agencies at various levels).

- Coordination and implementation of Reforms Agenda

161. Administratively the P&DD has different sub-departments called Section responsible for respective sector. These Sections play pivotal role in accomplishing the department's overall mandate. These Sections include:

- Agriculture Section

- Coordination Section

- Economic Analysis Section

- Education Section

- Energy & Power

- Establishment Section

- Foreign Aid Section

- Foreign Training Section

- Health Section

- Industries Section

- Infrastructure Section

- Rural Development

- Water Section

162. In addition the P&DD administers four attached department including: (i) The Urban Policy Unit. (ii) Bureau of Statistics KP; (iii) Directorate General Monitoring and Evaluation.

163. **Social Protection Reforms Unit (SPRU), Sustainable Development Unit (SDU), P&DD.** P&DD with the assistance of ILO, JICA and GIZ, has set up a SPRU within the SDU. The objective is to set up Single Window Services (SWS) across KP to target vulnerable communities (identified through vulnerability assessments), in order to facilitate and inform them of all the social protection projects and services offered by the GoKP (including BISP, Zakat & Ushr,

Health Insaf Cards, etc.). Initially planned SWS offices are to be set up in Nowshera and Lower Dir districts as pilots, to be replicated across all divisional headquarters.

<mark>164.</mark> The Program can benefit from this initiative, and strengthen it to encompass issues associated with gender, labor management and other social risks associated with the Program.

165. As can be seen from the above description, social management is not under the direct mandate of P&DD. There are various sections with the Department but none for responding social risks described earlier. However, P&D has past experience of engaging with bilateral and multilateral donors in implementing various projects/programs, where such socially responsive mechanisms have been put in place. This Program intends to capitalize on the same capacity, especially that of the SPRU, and aim towards it strengthening it by establishing a social risk management unit within the P&DD.

f. Department of Local Government

166. The Department has a regulatory and administrative functions to ensure that the local governments throughout the province perform their roles and functions within the policy framework introduced under LGA-2013. The major functions22 of LGE&RDD are:

- **Policy Formulation:** This includes: framing or reforming laws, rules and guidelines for working of local government units at different administrative tiers (district councils, tehsil municipal administration and village/ neighborhood councils). The Department is also entrusted with developing and implementing policy guidelines on public service delivery issues faced by the citizens of KP province.
- **Setting Strategic directions:** The department provides strategic direction to steer the progress and performance of local governments in line with the Government of KP's development vision.
- **Coordination:** The Department has a key role in coordinating with Federal and Provincial Government Departments on pertinent matters that relate to its mandate.
- **Administration**: The department administers and manages the resources in a transparent, optimal and sustainable manner to improve the quality, delivery and frequency of municipal and basic services. This includes management of more than 20,000 employees working in its attached and subordinating units across the province.

167. In addition, some of the services provided/administered by LGE&RDD include:

- Water, Sanitation and drainage
- Village Police.
- Fire Brigade.
- Village Electrification Program.
- Local Taxation and Local Rates.
- Urban Property Tax payable to Local Councils.
- Construction and minor repair of Basic Health Units and Primary Schools.

168. Local Government System: With the promulgation of KP Local Government Act 2013, a three-tier local government system exists in the province; that comprises:

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22 http://lgkp.gov.pk/about/

a. **District Council:** Every district of the province has a district council constituted by general seats and seats reserved for women, peasants/workers, youth and non-Muslims. Some of the key roles and responsibilities of a district council entail:

- Approving short and long term development plans and annual budgetary proposals of district government
- Electing Standing Committee of the district council for each office of district government to oversee administrative matters and service delivery obligations
- Reporting on efficiency, responsiveness, quality and performance of service delivery for progress review
- Examining tax proposals, budget plans, re-appropriations and supplementary grants by instituting a Finance Committee of the district council
- Scrutinize accounts showing appropriations of funds granted by district council through District Accounts Committee
- Making recommendations for enhancement of care for disabled, disadvantaged and marginalized segments
- Approving master, zoning and land use plans, including classification and reclassification of land, environment control, urban design, urban renewal and ecological balances
- Evaluating implementation of rules and bye-laws governing housing, markets, zoning, environment, roads, traffic, tax, infrastructure and public utilities.
- Sanctioning proposals for public transport and mass transit systems, construction of express ways, flyovers, bridges, roads, under passes and inter-town streets
- Reviewing development of integrated system of water reservoirs, water sources, treatment plants, liquid and solid waste disposal, sanitation and other municipal services

b. **Tehsil Municipal Administration:** Every tehsil has a tehsil municipal administration consisting of the tehsil council, tehsil municipal officer, municipal officers and other officials of the local council service. The Executive Authority of tehsil municipal administration shall vest in the Nazim Tehsil Council who is responsible to ensure that the business of tehsil municipal administration is carried out in accordance with the KP Local Government Act 2013. A brief of the key roles and functions of a tehsil municipal administration includes:

- Monitoring and supervising the performance of government offices located in the tehsil and hold them accountable by reporting to the district government
- Preparing spatial plans for the tehsil including plans for land use and disseminate these plans for public enquiry
- Executing and managing development plans for improvement of municipal and infrastructure services
- Enforcing laws, rules and bye-laws to ensure efficient and quality delivery of municipal services (anti-encroachment drives, affixing of sign-boards, etc)
- Exercising control over land development by public and private sectors for agriculture, industry, commerce, residence, recreation, entertainment, transport, etc.
- Maintaining data base and information system on services in the tehsil and provide public access to it on nominal charges
- Collecting taxes, fines and penalties provided under the KP Local Government Act 2013
- Formulating strategies for infrastructure development, improvement in delivery of services and implementation of laws

c. **Village and Neighborhood Council:** Every village council and neighborhood council comprises of ten to fifteen members on the basis of population with some reserve seats for women, peasants/workers, youth and minorities. The key functions of village council and neighborhood council include:

- Monitoring and supervising the performance of functionaries of all government offices located in the area of the respective village council or neighborhood council, including education, health, public health engineering, agriculture, livestock, police and revenue department.

- Providing effective forum for out-of-court amicable settlement of disputes by constituting panels of members as conciliators.
- Registering births, deaths and marriages within the jurisdiction of the respective village council and neighborhood council.
- Improving water supply sources, maintaining water supply distribution system and taking measures to prevent contamination of water.
- Maintaining village level infrastructure, including footpaths, tracks, streets and abating nuisances and encroachments in public ways, public streets and public places.
- Identifying development needs of the area for use by municipal administration and district government in prioritizing development plans.
- Mobilizing community for maintaining streets, culverts, bridges and buildings.
- Promoting plantation of trees, landscaping and beautification of public places
- Reviewing and approving annual budget presented by the respective Nazim Village Council or Neighborhood Council
- Electing an Accounts Committee and reviewing its recommendations on annual statement of accounts and audit reports.

169.   Local Government Department by default is designed to manage and respond to social risks and enhanced participatory development. KP government is very proud of this law and the department and the top leadership of the province gives special attention to it. The department hence has the capacity based on the above mentioned, multitiered systems to respond to all social risks identified under this Program. It is recommended that LGD should be the focal department along with FD to manage social risks and related actions within the PAP.